KAMIESBERG
MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2019

KAMIESBERG MUNICIPALITY

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KAMIESBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Kamiesberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kamiesberg Municipality includes the following areas of Garies, Hondeklipbaai, Kamassies, Kheis, Kharkams, Kamieskroon, Klipfontein, Koiingnaas, Leliefontein, Lepelsfontein, Nourivier, Paulshoek, Rooifontein, Soebatsfontein, Spoegrivier and Tweerivier.

MUNICIPAL MANAGER

RC Beukes

CHIEF FINANCIAL OFFICER

TE Diphokoje

REGISTERED OFFICE

Private Bag X200
Garies
8220

AUDITORS

Auditor-General
Private Bag X5013
KIMBERLEY
8300

PRINCIPLE BANKERS

First National Bank

ATTORNEYS

Schreuders

KAMIESBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE KAMIESBERG MUNICIPALITY

WARD	COUNCILLOR
1	LE Petersen
2	MC Rooi
3	SC Nero
4	MJ Cloete
Proportional	PJ Willems (Resigned May 2019)
Proportional	CC Kordom (Resigned May 2019)
Proportional	H Steenkamp
Proportional	AM Engelbrecht (Appointed June 2019)
Proportional	M Hanekom (Appointed June 2019)

KAMIESBERG MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 5 to 101 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

RC Beukes
Municipal Manager

2019/08/31
Date

KAMIESBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R	2018 R
ASSETS			
Non-Current Assets		**229,392,548**	**224,250,723**
Property, Plant and Equipment	2	205,342,212	200,084,807
Investment Property	3	23,980,800	24,062,690
Intangible Assets	4	64,136	97,826
Heritage Assets	5	5,400	5,400
Current Assets		**15,913,854**	**14,125,788**
Inventory	6	205,199	294,424
Receivables from Exchange Transactions	7	1,632,637	2,313,789
Receivables from Non-exchange Transactions	8	1,082,363	673,260
Taxes	17.2	10,540,183	4,176,786
Cash and Cash Equivalents	9.1	2,453,473	6,667,531
Total Assets		**245,306,402**	**238,376,511**
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		**26,177,920**	**24,980,512**
Long-term Borrowings	10	187,760	1,004,712
Non-current Provisions	11	22,720,368	20,872,382
Non-current Employee Benefits	12	3,269,791	3,103,418
Current Liabilities		**45,495,524**	**33,126,834**
Consumer Deposits	13	1,503,375	1,491,918
Current Employee Benefits	14	1,952,762	2,114,481
Trade and Other Payables from Exchange Transactions	15	30,817,547	23,842,540
Unspent Transfers and Subsidies	16	5,590,209	4,757,864
Taxes	17.1	4,798,053	-
Current Portion of Long-term Borrowings	10	833,578	920,030
Total Liabilities		**71,673,444**	**58,107,346**
Net Assets		**173,632,959**	**180,269,165**
Accumulated Surplus/(Deficit)		173,632,959	180,269,165
Total Net Assets and Liabilities		**245,306,402**	**238,376,511**

KAMIESBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
REVENUE			
Revenue from Non-exchange Transactions		**60,299,050**	**59,816,612**
Taxation Revenue		**8,314,143**	**7,649,589**
Property Rates	18	8,314,143	7,649,589
Transfer Revenue		**47,805,539**	**44,587,432**
Government Grants and Subsidies	19	47,773,039	44,257,979
Public Contributions and Donations	20	32,500	329,453
Other Revenue		**4,179,368**	**7,579,591**
Actuarial Gains	12	303,923	558,535
Fines, Penalties and Forfeits		7,403	2,190
Operational Revenue	26	3,868,043	7,018,867
Revenue from Exchange Transactions		**21,440,526**	**20,465,527**
Service Charges	21	13,492,243	13,488,550
Sales of Goods and Rendering of Services	22	94,318	52,057
Rental from Fixed Assets	23	104,457	139,792
Interest Earned - External Investments	24	412,483	793,248
Interest Earned - Outstanding Receivables	25	6,711,468	5,399,695
Licences and Permits		229,412	200,980
Agency Services		353,736	391,206
Operational Revenue	26	42,409	-
Total Revenue		**81,739,576**	**80,282,140**
EXPENDITURE			
Employee related costs	27	(23,793,385)	(22,234,005)
Remuneration of Councillors	28	(2,476,180)	(2,410,116)
Contracted Services	29	(4,700,887)	(4,080,472)
Depreciation and Amortisation	30	(17,443,426)	(16,371,272)
Finance Costs	31	(3,574,966)	(3,983,025)
Bulk Purchases	32	(9,747,293)	(9,243,302)
Inventory Consumed	6	(1,573,894)	(2,324,645)
Transfers and Subsidies Payable		(19,697)	(5,209)
Operational Costs	33	(7,900,155)	(7,143,564)
Total Expenditure		**(71,229,882)**	**(67,795,611)**
Operating Surplus/(Deficit) for the Year		**10,509,694**	12,486,529
Reversal of Impairment Loss/(Impairment Loss) on Receivables	34	(14,118,545)	(11,428,431)
Gains/(Loss) on Sale of Fixed Assets	35	15,501	(123,473)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	36	0	1,549,836
Fair Value Adjustments on Financial Instruments		(3,042,857)	3,042,857
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(6,636,207)**	**5,527,318**

KAMIESBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 July 2017	**174,741,846**	**174,741,846**
Correction of Error - Note 38.6	(7,815)	(7,815)
Restated balance	174,734,031	174,734,031
Net Surplus/(Deficit) for the year	5,527,319	5,527,319
Previously reported	4,077,610	4,077,610
Effects of Correction of Errors - Note 38.7	1,449,708	1,449,708
Restated balance at 30 June 2018	**180,261,350**	**180,261,458**
Net Surplus/(Deficit) for the year	(6,636,207)	(6,636,207)
Balance at 30 June 2019	**173,625,144**	**173,625,252**

KAMIESBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		1,232,436	1,945,063
Service Charges		561,555	5,490,129
Other Revenue		4,732,278	11,450,595
Government - Operating		12,855,383	23,120,486
Government - Capital		35,750,000	20,831,000
Interest		7,123,950	6,192,943
Cash payments			
Suppliers and Employees		(41,202,896)	(48,933,575)
Finance Charges		(1,726,979)	(2,286,472)
Net Cash from Operating Activities	39	**19,325,727**	**17,810,169**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(22,636,307)	(18,287,518)
Purchase of Intangible Assets		(11,530)	(29,441)
Net Cash from Investing Activities		**(22,647,837)**	**(18,316,959)**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing - Long term/Refinancing		19,304	-
Increase/(Decrease) in Consumer Deposits		11,457	22,004
Repayment of Borrowing		(922,709)	(830,758)
Net Cash from Financing Activities		**(891,948)**	**(808,753)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,214,058)	(1,315,543)
Cash and Cash Equivalents at the beginning of the year		6,667,531	7,983,074
Cash and Cash Equivalents at the end of the year	40	2,453,473	6,667,531
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,214,058)**	**(1,315,543)**

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
								2019	
		R	R	R	R	R	R	R	%
ASSETS									
Current Assets									
Cash		480,000	-	480,000	-	-	480,000	345,169	-28.09%
Call Investment Deposits		8,096,129	-	8,096,129	-	-	8,096,129	2,108,303	-73.96%
Consumer Debtors		11,652,923	(8,109,245)	3,543,678	-	-	3,543,678	2,715,000	-23.38%
Other Debtors		1,160,615	(206,296)	954,319	-	-	954,319	10,540,183	1004.47%
Current Portion of long-term receivables		-	-	-	-	-	-	-	-
Inventory		2,084,054	-	2,084,054	-	-	2,084,054	205,199	-90.15%
Total Current Assets	43.2.1	23,473,721	(8,315,541)	15,158,180	-	-	15,158,180	15,913,854	4.99%
Non-Current Assets									
Long-term Receivables		-	-	-	-	-	-	-	
Investments		-	-	-	-	-	-	-	0.00%
Investment Property		23,752,100	357,667	24,109,767	-	-	24,109,767	23,960,800	-0.53%
Investment in Associates		-	-	-	-	-	-	-	0.00%
Property, Plant and Equipment		191,176,936	7,748,862	198,925,798	-	-	198,925,798	205,342,212	3.23%
Agricultural Assets		-	-	-	-	-	-	-	0.00%
Biological Assets		-	-	-	-	-	-	-	0.00%
Intangible Assets		107,796	(54,466)	53,330	-	-	53,330	64,136	20.26%
Other Non-Current Assets		-	5,400	5,400	-	-	5,400	5,400	0.00%
Total Non-Current Assets	43.2.2	215,036,833	8,057,462	223,094,295	-	-	223,094,295	229,392,548	2.82%
TOTAL ASSETS		238,510,554	(258,079)	238,252,475	-	-	238,252,475	245,306,402	2.96%
LIABILITIES									
Current Liabilities									
Bank Overdraft		-	-	-	-	-	-	-	
Borrowing		831,181	(3,252)	827,929	-	-	827,929	833,578	0.68%
Consumer Deposits		1,469,914	-	1,469,914	-	-	1,469,914	1,503,375	2.28%
Trade and Other Payables		25,743,818	(15,410,681)	10,333,137	-	-	10,333,137	41,205,809	298.77%
Provisions		1,917,231	260,828	2,178,059	-	-	2,178,059	1,952,762	-10.34%
Total Current Liabilities	43.2.3	29,962,144	(15,153,105)	14,809,039	-	-	14,809,039	45,495,524	207.21%
Non-Current Liabilities									
Borrowing		1,924,320	6,452,463	8,376,783	-	-	8,376,783	187,760	-97.76%
Provisions		13,312,363	7,369,998	20,682,361	-	-	20,682,361	25,990,159	25.66%
Total Non-Current Liabilities	43.2.4	15,236,683	13,822,461	29,059,144	-	-	29,059,144	26,177,920	-9.92%
TOTAL LIABILITIES		45,198,827	(1,330,643)	43,868,184	-	-	43,868,184	71,673,444	63.38%
NET ASSETS									
Accumulated Surplus/(Deficit)		193,311,727	1,072,564	194,384,291	-	-	194,384,291	173,632,959	-10.68%
Reserves		-	-	-	-	-	-	-	
TOTAL NET ASSETS	43.2.5	193,311,727	1,072,564	194,384,291	-	-	194,384,291	173,632,959	-10.68%

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
								2019	
		R	R	R	R	R	R	R	%
REVENUE									
Property Rates		8,381,937	-	8,381,937	-	-	8,381,937	8,314,143	-0.81%
Service Charges - Electricity Revenue		8,706,835	-	8,706,835	-	-	8,706,835	7,830,652	-10.06%
Service Charges - Water Revenue		4,773,997	-	4,773,997	-	-	4,773,997	2,877,380	-39.73%
Service Charges - Sanitation Revenue		1,727,139	-	1,727,139	-	-	1,727,139	1,469,645	-14.91%
Service Charges - Refuse Revenue		2,330,689	-	2,330,689	-	-	2,330,689	1,314,566	-43.60%
Rental of Facilities and Equipment		180,570	-	180,570	-	-	180,570	104,457	-42.15%
Interest Earned - External Investments		11,067	-	11,067	-	-	11,067	412,483	3627.14%
Interest Earned - Outstanding Debtors		4,093,465	-	4,093,465	-	-	4,093,465	6,711,468	63.96%
Fines		1,898	-	1,898	-	-	1,898	7,403	290.02%
Licences and Permits		1,455	-	1,455	-	-	1,455	229,412	15667.18%
Agency Services		-	-	-	-	-	-	353,736	100.00%
Transfers Recognised - Operational		23,183,000	613,000	23,796,000	-	-	23,796,000	26,836,924	12.78%
Other Revenue		969,133	1,058,280	2,027,413	-	-	2,027,413	961,913	-52.55%
Gains on Disposal of PPE		-	-	-	-	-	-	-	0.00%
Total Revenue (excluding capital transfers and contributions)	**43.2.6**	54,361,185	1,671,280	56,032,465	-	-	56,032,465	57,424,181	2.48%
EXPENDITURE									
Employee Related Costs		22,517,214	1,222,005	23,739,220	-	-	23,739,220	23,489,461	-1.05%
Remuneration of Councillors		2,597,157	(5,344)	2,591,813	-	-	2,591,813	2,476,160	-4.46%
Debt Impairment		4,343,000	(115,751)	4,227,249	-	-	4,227,249	14,118,545	233.99%
Depreciation and Asset Impairment		8,923,000	6,393,351	15,316,351	-	-	15,316,351	17,443,426	13.89%
Finance Charges		211,736	1,153,512	1,365,248	-	-	1,365,248	3,574,966	161.85%
Bulk Purchases		10,985,852	9,880	10,995,732	-	-	10,995,732	9,747,293	-11.35%
Other Materials		1,860,000	-	1,860,000	-	-	1,860,000	1,573,894	-15.38%
Contracted Services		3,224,520	-	3,224,520	-	-	3,224,520	4,700,887	45.79%
Transfers and Grants		-	-	-	-	-	-	19,697	100.00%
Other Expenditure		7,625,000	12,027	7,637,027	-	-	7,637,027	7,900,155	3.45%
Loss on Disposal of PPE		-	-	-	-	-	-	(15,501)	100.00%
Total Expenditure	**43.2.7**	62,287,479	8,669,680	70,957,160	-	-	70,957,160	85,029,003	19.83%
Surplus/(Deficit)		(7,926,294)	(6,998,400)	(14,924,695)	-	-	(14,924,695)	(27,604,821)	84.96%
Transfers Recognised - Capital	**43.2.7**	20,145,117	1,327,980	21,473,097	-	-	21,473,097	20,968,615	-2.35%
Contributions Recognised - Capital		-	-	-	-	-	-	-	0.00%
Contributed Assets		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) after Capital Transfers & Contributions		12,218,823	(5,670,420)	6,548,402	-	-	6,548,402	(6,636,207)	-201.34%
Taxation		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) after Taxation		12,218,823	(5,670,420)	6,548,402	-	-	6,548,402	(6,636,207)	-201.34%
Attributable to Minorities		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) Attributable to Municipality		12,218,823	(5,670,420)	6,548,402	-	-	6,548,402	(6,636,207)	-201.34%
Share of Surplus/(Deficit) of Associate		-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) for the year		12,218,823	(5,670,420)	6,548,402	-	-	6,548,402	(6,636,207)	-201.34%

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2019 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Taxation		6,588,252	1,168,934	7,757,186	-	-	7,757,186	1,232,436	-84.11%
Service Charges		14,434,104	1,964,415	16,398,519	-	-	16,398,519	561,555	-96.58%
Other Revenue		290,266	1,740,500	2,030,766	-	-	2,030,766	4,732,278	133.03%
Government - Operating		23,183,000	613,000	23,796,000	-	-	23,796,000	12,855,383	-45.98%
Government - Capital		19,567,000	1,906,097	21,473,097	-	-	21,473,097	35,750,000	66.49%
Interest		4,104,000	-	4,104,000	-	-	4,104,000	7,123,950	73.59%
Payments									
Suppliers and Employees		(41,728,493)	(8,142,099)	(49,870,592)	-	-	(49,870,592)	(41,202,896)	-17.38%
Finance costs		(212,000)	(1,153,248)	(1,365,248)	-	-	(1,365,248)	(1,726,979)	26.50%
Net Cash from/(used) Operating Activities	43.2.8	26,226,129	(1,902,400)	24,323,729	-	-	24,323,729	19,325,727	-20.55%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		-	-	-	-	-	-	-	0.00%
Payments									
Capital Assets		(19,567,000)	(1,906,096)	(21,473,096)	-	-	(21,473,096)	(22,647,837)	5.47%
Net Cash from/(used) Investing Activities	43.2.9	(19,567,000)	(1,906,096)	(21,473,096)	-	-	(21,473,096)	(22,647,837)	5.47%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Increase/(Decrease) in Consumer Deposits		-	(22,004)	(22,004)	-	-	(22,004)	11,457	100.00%
Payments									
Repayment of Borrowing		-	(920,030)	(920,030)	-	-	(920,030)	(922,709)	0.29%
Net Cash from/(used) Financing Activities	43.2.10	-	(942,034)	(942,034)	-	-	(942,034)	(891,948)	-5.32%
NET INCREASE/(DECREASE) IN CASH HELD		6,659,129	(4,750,531)	1,908,598	-	-	1,908,598	(4,214,058)	-320.79%
Cash and Cash Equivalents at the year begin:		1,917,000	4,750,531	6,667,531	-	-	6,667,531	6,667,531	0.00%
Cash and Cash Equivalents at the year end:	43.2.11	8,576,129	-	8,576,129	-	-	8,576,129	2,453,473	-71.39%

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2018 audited amounts are set out in note 37 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;

- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	**Related Party Disclosure** The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	1 April 2019
GRAP 32 (Original – Aug 2013)	**Service Concession Arrangements: Grantor** The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact expected as any such transactions or events are expected in the foreseeable future.	1 April 2019
GRAP 34 (Revised – April 2019)	**Separate Financial Statements** The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.	Unknown

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 35 (Revised – April 2019)	**Consolidated Financial Statements** The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 36 (Revised – April 2019)	**Investments in Associates and Joint Ventures** The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 37 (Revised – April 2019)	**Joint Arrangements** The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements) No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 38 (Revised - April 2019)	**Disclosure of Interest in Other Entities** The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and b) the effects of those interests on its financial position, financial performance and cash flows. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 104 (Revised – April 2019)	**Financial Instruments** The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The Municipality might need to revise the categories of financial instruments and the impairment model.	Unknown

GRAP 108 (Original – Sept 2013)	**Statutory Receivables** The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	1 April 2019
GRAP 109	**Accounting by Principles and Agents** The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	1 April 2019
GRAP 110	**Living and non-living resources** The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. No significant impact expected as any such transactions or events are expected in the foreseeable future.	1 April 2020
IGRAP 17	**Service Concession Arrangements where a grantor controls a significant residual interest in an Asset** The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	1 April 2019
IGRAP 18	**Recognition and Derecognition of Land** The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements. The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.	1 April 2019
IGRAP 19	**Liabilities to Pay Levies** The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.	1 April 2019

	No such transactions or events are expected in the foreseeable future.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is

representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated useful lives:

	Years
Land and Buildings	
Land	Indefinite
Buildings	2-100
Infrastructure	
Roads and Streets	1-70
Storm Water	1-50
Electricity	1-40
Water	1-70
Sanitation	1-30
Waste Management	1-20
Other	30
Community	
Recreation Grounds	4-40
Housing	5-40
Community Halls	2-40
Libraries	2-40
Parks and Gardens	2-40
Clinics	2-40
Security and Policing	2-40
Other	2-40
Finance lease assets	
Office equipment	2-5
Other assets	2-5
Other	
Motor Vehicles	5-10
Furniture and other Office equipment	3-10
Furniture and fittings	2-32
Plant and Equipment	2-15
Computer equipment	3-5

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the

asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	2-5
Computer Software Licenses	2-5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at

each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment Property	Years
Buildings	30

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.19.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.20. AGRICULTURE

1.20.1. Initial Recognition

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell. Bearer plants are recognised as Property, Plant and Equipment in terms of GRAP 17.

1.20.2. Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.21. HERITAGE ASSETS

1.21.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.21.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.21.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.21.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.21.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December

2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

1.22. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.22.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is

appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.22.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the

remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.23. NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.24. INVENTORIES

1.24.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.24.2. Subsequent Measurement

Inventories, consisting of consumable stores, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Land held for sale is measured as the lower of cost and current replacement cost. Cost of land held for sale is assigned by using specific identification of their individual costs. Land is transferred from Investment Property to Inventory at carrying value, when it is available for sale in the ordinary course of operations or in the process of development for sale.

1.25. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.25.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.25.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.25.2.1. *Receivables*

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.25.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.25.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.25.3. De-recognition

1.25.3.1. *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.25.3.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.25.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.26. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.26.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.26.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

(a) interest or other charges that may have accrued on the receivable;
(b) impairment losses; and
(c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.26.3. Derecognition

The Municipality derecognises a statutory receivable when:

(a) the rights to the cash flows from the receivable are settled, expire or are waived;
(b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
(c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

 i. derecognise the receivable; and
 ii. recognise separately any rights and obligations created or retained in the transfer.

1.27. REVENUE

1.27.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature

and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.27.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.28. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

(a) identifying the acquirer (Municipality);
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.29. RELATED PARTIES

The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the

reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa,

only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.30. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.34. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 17 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support

the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under

which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.35. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.36. MATERIAL LOSSES

Material Losses represents distribution losses of electricity and water. The electricity and water units lost are calculated by taking into account the units purchased and sold during the year. Thereafter, the lost units are quantified by using the acquisition price.

Distribution losses for electricity are only disclosed in the financial statements in terms of the Municipal Finance Management Act (Act 56 of 2003).

Distribution losses for water are recognised and disclosed in the financial statements in terms of the Water Services Act (Act 108 of 1997) and the Municipal Finance Management Act (56 of 2003).

1.37. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.38. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2019

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2018	4,546,102	19,308,170	171,084,386	1,934,528	1,997,197	1,214,423	200,084,807
Cost	4,546,102	25,174,137	322,019,238	2,811,212	3,098,192	5,520,543	363,169,424
Original Cost	4,546,102	25,174,137	322,019,238	2,811,212	3,098,192	5,520,543	363,169,424
Accumulated Depreciation and Impairment Losses	-	(5,865,967)	(150,934,852)	(876,684)	(1,100,995)	(4,306,120)	(163,084,617)
Original Cost	-	(5,865,967)	(150,934,852)	(876,684)	(1,100,995)	(4,306,120)	(163,084,617)
Acquisitions	-	-	44,330,862	-	19,304	103,522	44,453,688
Capital under Construction	-	-	(21,798,077)	-	-	-	(21,798,077)
Contributed PPE	-	-	-	-	-	-	-
IGRAP 2 Adjustment	-	-	-	-	-	-	-
Depreciation	-	(1,254,578)	(14,768,058)	(269,951)	(704,301)	(401,319)	(17,398,206)
Normal Depreciation	-	(1,254,578)	(14,768,058)	(269,951)	(704,301)	(401,319)	(17,398,206)
Backlog Depreciation - previously not recorded	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Reversal of Impairment losses	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Carrying Value at 30 June 2019	4,546,102	18,053,701	178,849,113	1,664,577	1,312,201	916,626	205,342,211
Cost	4,546,102	25,174,137	344,552,023	2,811,212	3,117,496	5,624,065	385,825,035
Original Cost	4,546,102	25,174,137	344,552,023	2,811,212	3,117,496	5,624,065	385,825,035
Accumulated Depreciation and Impairment Losses	-	(7,120,544)	(165,702,910)	(1,146,635)	(1,805,295)	(4,707,438)	(180,482,824)
Original Cost	-	(7,120,544)	(165,702,910)	(1,146,635)	(1,805,295)	(4,707,438)	(180,482,824)

2.2 30 JUNE 2018

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2017	4,548,102	20,997,153	159,217,043	2,204,833	2,706,692	1,502,785	191,176,608
Cost	4,548,102	25,174,137	294,878,473	2,811,212	3,098,192	5,425,120	335,935,236
Original Cost	4,548,102	25,174,137	294,878,473	2,811,212	3,098,192	5,425,120	335,935,236
Accumulated Depreciation and Impairment Losses	-	(4,176,984)	(135,661,430)	(606,379)	(391,500)	(3,922,335)	(144,758,628)
Original Cost	-	(4,176,984)	(135,661,430)	(606,379)	(391,500)	(3,922,335)	(144,758,628)
Acquisitions	(2,000)	-	4,040,961	-	-	95,423	4,134,384
Original Cost	-	-	4,040,961	-	-	95,423	4,136,384
Correction of Error - Note 38.1	(2,000)	-	-	-	-	-	(2,000)
IGRAP 2 Adjustment	-	-	9,416,912	-	-	-	9,416,912
Original Cost	-	-	20,610	-	-	-	20,610
Correction of Error - Note 38.1	-	-	9,396,302	-	-	-	9,396,302
Capital under Construction	-	-	13,826,748	-	-	-	13,826,748
Previously stated	-	-	13,583,039	-	-	-	13,583,039
Correction of Error - Note 38.1	-	-	243,709	-	-	-	243,709
Depreciation	-	(1,688,983)	(13,271,619)	(270,305)	(709,495)	(383,785)	(16,324,186)
Normal Depreciation	-	(1,688,983)	(12,454,298)	(270,305)	(709,495)	(383,785)	(15,506,865)
Backlog Depreciation not previously recorded - Note 38.1	-	-	(817,321)	-	-	-	(817,321)
Carrying value of disposals	-	-	(142,049)	-	-	-	(142,049)
Cost	-	-	(143,856)	-	-	-	(143,856)
Accumulated Depreciation	-	-	1,807	-	-	-	1,807
(Impairment losses) / Reversal of Impairment losses	-	-	(2,003,610)	-	-	-	(2,003,610)
Previously stated	-	-	(529,971)	-	-	-	(529,971)
Correction of Error - Note 38.1	-	-	(1,473,639)	-	-	-	(1,473,639)
Carrying Value at 30 June 2018	4,546,102	19,308,170	171,084,386	1,934,528	1,997,197	1,214,423	200,084,807
Cost	4,546,102	25,174,137	322,019,238	2,811,212	3,098,192	5,520,543	363,169,424
Original Cost	4,546,102	25,174,137	322,019,238	2,811,212	3,098,192	5,520,543	363,169,424
Accumulated Depreciation and Impairment Losses	-	(5,865,967)	(150,934,852)	(876,684)	(1,100,995)	(4,306,120)	(163,084,617)
Original Cost	-	(5,865,967)	(150,934,852)	(876,684)	(1,100,995)	(4,306,120)	(163,084,617)

		2019 R	2018 R
2.3	**Property, Plant and Equipment which is in the process of being constructed or developed:**		
	Infrastructure Assets	6,744,654	31,044,799
	Roads	1,476,485	1,908,050
	Storm Water	-	-
	Electricity	550,838	605,000
	Water Supply	4,717,330	28,531,750
	Sanitation	-	-
	Solid Waste	-	-
	Rail	-	-
	Coastal	-	-
	Information and Communication	-	-
	Community Assets	2,502,069	-
	Other Assets	-	-
	Total Property, Plant and Equipment under construction	9,246,723	31,044,799

		2019 R	2018 R
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year	30,801,090	17,218,051
	Expenditure during the year	(21,798,077)	17,624,000
	Assets unbundled during the year	-	(4,040,961)
	Impairment recognised during the year	-	-
	Balance at end of year	**9,003,014**	**30,801,090**

2.4	**Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:**		
	Infrastructure Assets	586,286	2,513,050
	Roads	-	1,908,050
	Storm Water	-	-
	Electricity	550,838	605,000
	Water Supply	35,448	-
	Sanitation	-	-
	Solid Waste	-	-
	Rail	-	-
	Coastal	-	-
	Information and Communication	-	-
	Community Assets	-	-
	Other Assets	-	-
	Total	586,286	2,513,050

The project is taking longer than expected due to reprioritisation of projects and insufficient funds to complete the project in current year.

2.5	**Expenditure incurred to repair and maintain Property, Plant and Equipment:**		
	Employee related costs	-	-
	Other materials	371,978	640,151
	Contracted Services	372,191	152,933
	Other Expenditure	-	-
	Total Repairs and Maintenance	**744,169**	**793,084**

		2019 R	2018 R
2.6	**Contractual commitments for acquisition of Property, Plant and Equipment:**		
	Approved and contracted for:	5,250,618	1,900,286
	Infrastructure	5,250,618	1,900,286
	Community	-	-
	Other	-	-
	Total	**5,250,618**	**1,900,286**
	This expenditure will be financed from:		
	External Loans	-	-
	Capital Replacement Reserve	-	-
	Government Grants	5,250,618	1,900,286
	Own Resources	-	-
	District Council Grants	-	-
	Total	**5,250,618**	**1,900,286**
3.	**INVESTMENT PROPERTY**		
3.1	**Net Carrying amount at 1 July**	**24,062,690**	**24,062,690**
	Cost	24,062,690	24,068,505
	Correction of Error - Note 38.2	-	(1,100)
	Correction of Error - Note 38.2	-	(9,800)
	Correction of Error - Note 38.2	-	5,085
	Accumulated Depreciation	-	-
	Accumulated Impairment Loss	-	-
	Additions		-
	Disposal	(81,890)	
	Depreciation for the year	-	-
	Impairment loss	-	-
	Reversal of Impairment loss	-	-
	Net Carrying amount at 30 June	**23,980,800**	**24,062,690**
	Cost	23,980,800	24,062,690
	Accumulated Depreciation	-	-
	Accumulated Impairment Loss	-	-
3.2	**Revenue from Investment Property**		
	Revenue derived from the rental of Investment Property	-	-

The municipality has no Investment Property which is in the process of being constructed or developed.

The municipality has no Investment Property that is taking a significantly longer period of time to complete than expected.

The municipality has no Investment Property where construction or development has been halted.

		2019 R	2018 R
4.	**INTANGIBLE ASSETS**		
4.1	**Net Carrying amount at 1 July**	**97,826**	**107,655**
	Cost	358,647	329,206
	Accumulated Amortisation	(260,822)	(221,550)
	Accumulated Impairment Loss	-	-
	Additions	11,530	29,441
	Amortisation	(45,219)	(39,270)
	Disposals	-	-
	Net Carrying amount at 30 June	**64,136**	**97,826**
	Cost	370,177	358,647
	Accumulated Amortisation	(306,041)	(260,822)
	Accumulated Impairment Loss	-	-
5.	**HERITAGE ASSETS**		
	Net Carrying amount at 1 July	**5,400**	**5,400**
	Cost	5,400	5,400
	Accumulated Impairment Loss	-	-
	Additions	-	-
	Net Carrying amount at 30 June	**5,400**	**5,400**
	Cost	5,400	5,400
	Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

		2019 R	2018 R
6.	**INVENTORY**		
	Consumables	122,895	220,150
	Water	82,304	74,274
	Total Inventory	**205,199**	**294,424**
6.1	**Inventories recognise as an expense during the year:**		
	Consumables	935,524	2,902,801
	Materials and Supplies	638,370	1,102,562
	Total	**1,573,894**	**4,005,363**
7.	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Electricity	6,611,457	6,002,513
	Water	19,525,003	18,588,320
	Waste Management	8,357,269	7,771,073
	Waste Water Management	4,569,763	4,171,774
	Other Arrears	18,250,028	12,898,160
	Total: Receivables from exchange transactions (before provision)	**57,313,520**	**49,431,840**
	Less: Provision for Debt Impairment	(55,680,883)	(47,118,051)
	Total: Receivables from exchange transactions (after provision)	**1,632,637**	**2,313,789**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)	250,306	336,864
31 - 60 Days	292,702	216,690
61 - 90 Days	166,741	148,072
+ 90 Days	5,901,707	5,300,888
Total	**6,611,457**	**6,002,513**

(Water): Ageing

Current (0 - 30 days)	361,405	394,141
31 - 60 Days	386,556	331,641
61 - 90 Days	321,118	296,306
+ 90 Days	18,455,923	17,566,232
Total	**19,525,003**	**18,588,320**

(Waste Management): Ageing

Current (0 - 30 days)	159,750	162,013
31 - 60 Days	151,655	147,913
61 - 90 Days	144,935	142,192
+ 90 Days	7,900,930	7,318,955
Total	**8,357,269**	**7,771,073**

	2019 R	2018 R
(Waste Water Management): Ageing		
Current (0 - 30 days)	138,151	143,914
31 - 60 Days	122,852	116,772
61 - 90 Days	112,033	104,931
+ 90 Days	4,196,728	3,806,156
Total	**4,569,763**	**4,171,774**
(Other): Ageing		
Current (0 - 30 days)	129,188	119,667
31 - 60 Days	130,704	119,842
61 - 90 Days	128,188	119,231
+ 90 Days	17,861,949	12,539,420
Total	**18,250,028**	**12,898,160**
(Total): Ageing		
Current (0 - 30 days)	1,038,800	1,156,598
31 - 60 Days	1,084,469	932,858
61 - 90 Days	873,015	810,732
+ 90 Days	54,317,236	46,531,651
Total	**57,313,520**	**49,431,840**
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	47,118,051	42,700,168
Contribution to provision	7,445,941	3,875,336
VAT on provision	1,116,891	542,547
Balance at end of year	**55,680,883**	**47,118,051**
Ageing of amounts past due but not impaired:		
1 month past due	1,084,469	932,858
2+ months past due	(490,632)	224,332
	593,836	**1,157,191**

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

		2019 R	2018 R
8.	**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**		
	Taxes - Rates	32,218,422	25,000,571
	Other Receivables	164,587	300,729
	Previously stated	-	156,749
	Correction of Error - Note 38.3	-	143,980
		32,383,008	25,301,301
	Less: Provision for Debt Impairment	(31,300,645)	(24,628,041)
	Total Receivables from non-exchange transactions	**1,082,363**	**673,260**

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	522,686	318,736
31 - 60 Days	506,147	291,894
61 - 90 Days	503,714	276,902
+ 90 Days	30,685,874	24,113,039
Total	**32,218,422**	**25,000,571**

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	24,628,041	17,074,946
Contribution to provision	6,672,604	7,553,095
Balance at end of year	**31,300,645**	**24,628,041**

Ageing of amounts past due but not impaired:

1 month past due	506,147	53,795
2+ months past due	411,629	-
	917,776	**53,795**

		2019 R	2018 R
9.	BANK ACCOUNTS		
9.1	Cash and Cash Equivalents		
	Current Accounts	345,169	420,502
	Call Deposits and Investments	2,108,303	6,247,029
	Total Cash and Cash Equivalents - Assets	**2,453,473**	**6,667,531**
	The municipality has the following bank accounts:		
	Current Accounts		
	First National Bank - Account Number 620 2250 1440 (Primary Bank Account):	345,169	420,502
		345,169	**420,502**
	Call Deposits and Investments		
	First National Bank - Account Number 62012466018:	-	3,266
	First National Bank - Account Number 62182751729:	949,396	505,395
	First National Bank - Account Number 62117682791:	8,891	165,155
	First National Bank - Account Number 74282299369:	311,441	291,895
	First National Bank - Account Number 71053360915:	154,166	143,972
	First National Bank - Account Number 71059354764:	171,253	159,988
	Investec - Account Number 1100528298621:	513,156	4,977,358
		2,108,303	**6,247,029**
	Details of current account is as follow:		
	First National Bank - Account Number 620 2250 1440 (Primary Bank Account):		
	Cash book balance at beginning of year	420,502	387,420
	Cash book balance at end of year	345,169	420,502
	Bank statement balance at beginning of year	180,469	352,021
	Bank statement balance at end of year	125,413	180,469
	Details of call investment accounts are as follow:		
	First National Bank - Account Number 62012466018:		
	Cash book balance at beginning of year	3,266	10,624
	Cash book balance at end of year	-	3,266
	Bank statement balance at beginning of year	3,266	10,624
	Bank statement balance at end of year	-	3,266
	First National Bank - Account Number 62182751729:		
	Cash book balance at beginning of year	505,395	84,389
	Cash book balance at end of year	949,396	505,395
	Bank statement balance at beginning of year	505,395	84,370
	Bank statement balance at end of year	756,828	505,395
	First National Bank - Account Number 62117682791:		
	Cash book balance at beginning of year	165,155	157,095
	Cash book balance at end of year	8,891	165,155
	Bank statement balance at beginning of year	165,155	157,095
	Bank statement balance at end of year	8,891	165,155

	2019 R	2018 R
First National Bank - Account Number 74282299369:		
Cash book balance at beginning of year	291,895	273,431
Cash book balance at end of year	311,441	291,895
Bank statement balance at beginning of year	291,895	273,431
Bank statement balance at end of year	311,441	291,895
First National Bank - Account Number 71053360915:		
Cash book balance at beginning of year	143,972	134,172
Cash book balance at end of year	154,166	143,972
Bank statement balance at beginning of year	143,972	134,172
Bank statement balance at end of year	154,166	143,972
First National Bank - Account Number 71059354764:		
Cash book balance at beginning of year	159,988	149,041
Cash book balance at end of year	171,253	159,988
Bank statement balance at beginning of year	159,988	149,041
Bank statement balance at end of year	171,253	159,988
Investec - Account Number 1100528298621:		
Cash book balance at beginning of year	4,977,358	6,786,901
Cash book balance at end of year	513,156	4,977,358
Bank statement balance at beginning of year	4,977,358	6,786,901
Bank statement balance at end of year	513,156	4,977,358

10. LONG-TERM BORROWINGS

Capitalised Lease Liability - At amortised cost	1,021,338	1,924,743
	1,021,338	**1,924,743**
Less: Current Portion transferred to Current Liabilities	**(833,578)**	**(920,030)**
Capitalised Lease Liability - At amortised cost	(833,578)	(920,030)
	187,760	**1,004,712**
Total Long-term Borrowings	**187,760**	**1,004,712**

10.1 The obligations under annuity loans are scheduled below:

	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	912,415	1,099,367
Payable within two to five years	207,090	1,096,885
Payable after five years	-	-
	1,119,505	2,196,252
Less: Future finance obligations	(98,167)	(271,509)
Present value of annuity loans obligations	**1,021,338**	**1,924,743**

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua Mobile	Laptops & Modems	10%	0%	2 Years	31/03/2019
Nashua	Fax machines and Copiers	15%	0%	5 Years	31/03/2022
Bidvest	Vehicles	10%	0%	3 Years	31/05/2020

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2

		2019 R	2018 R
11.	**NON-CURRENT PROVISIONS**		
	Provision for Rehabilitation of Landfill-sites	22,720,368	20,872,382
	Total Non-current Provisions	**22,720,368**	**20,872,382**
11.1	***Landfill Sites***		
	Balance 1 July	20,872,382	13,312,363
	Contribution for the year	1,847,987	1,141,611
	Change in Provision for Rehabilitation Cost	-	(568,094)
	Expenditure for the year	-	-
	Correction of Error - Note 38.4	-	6,986,502
	Total provision 30 June	**22,720,368**	**20,872,382**
	Less: Transfer of Current Portion to Current Provisions	-	-
	Balance 30 June	**22,720,368**	**20,872,382**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer.

The future obligations for rehabilitating the landfill sites has been calculated by using a discount rate between 6,680% - 9,930%, depending on the remaining useful life of the landfill-sites.

The change in the provision for rehabilitation cost of Rnil (2018: R568 094) was as a result of changes in the estimated outflow of resources to settle the obligation and changes in the current market-based discount rate.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Hondeklip Bay	Klipfontein	Soebatsfontein	Garies
Rehabilitation area (m²)	5,788	2,070	6,482	9,611
Preliminary and General	350,278	125,244	350,944	539,363
Site Clearance and Preparation	17,827	6,376	19,965	29,602
Stormwater Control Measures	477,975	297,943	515,172	773,277
Capping	1,249,661	459,614	1,343,802	2,066,823
Gas Management	-	-	-	-
Leachate Management	173,540	120,335	179,141	222,545
Fencing	582,980	10,333	448,662	760,349
Other	840,358	930,066	938,877	858,562
Contingencies	285,226	101,985	285,769	439,196
Engineering Professsional Fees	235,312	84,137	235,759	362,337
Site Supervision	337,459	290,040	328,736	374,711

	Tweerivier	Kharkams	Spoegrivier	Nourivier
Rehabilitation area (m²)	2,715	1,993	1,645	1,771
Preliminary and General	154,859	145,508	166,622	111,871
Site Clearance and Preparation	8,362	6,138	5,067	5,455
Stormwater Control Measures	378,288	433,339	317,285	293,480
Capping	563,614	433,260	345,771	370,878
Gas Management	-	-	-	-
Leachate Management	145,537	156,272	119,868	118,935
Fencing	10,333	10,333	402,167	10,333
Other	898,387	863,597	867,151	867,817
Contingencies	126,099	118,485	135,678	91,095
Engineering Professsional Fees	104,032	97,750	111,934	75,153
Site Supervision	282,489	277,037	283,748	258,581

	Koiingnaas	Leliefontein	Rooifontein/ Kamassies	Paulshoek	Kamieskroon
Rehabilitation area (m²)	5,084	1,022	2,910	685	10,697
Preliminary and General	292,751	80,414	164,945	66,297	483,326
Site Clearance and Preparation	15,659	3,148	8,963	2,110	32,947
Stormwater Control Measures	544,929	242,892	396,142	223,550	663,350
Capping	1,322,346	221,945	611,600	149,891	2,315,176
Gas Management	-	-	-	-	-
Leachate Management	197,809	96,066	151,138	87,665	233,279
Fencing	10,333	10,333	10,333	10,333	207,578
Other	942,135	833,991	974,333	867,817	867,151
Contingencies	238,383	65,480	134,312	53,985	393,566
Engineering Professsional Fees	196,666	54,021	110,807	44,537	324,692
Site Supervision	318,299	266,970	251,031	267,809	351,025

The municipality has an obligation to rehabilitate landfill sites at the end of the expected usefull life of the asset. The estimate cost and date of decommission of the sites are as follows:

Hondeklip Bay	2048	19,848,323	5,796,116
Koiingnaas	2047	16,911,543	3,430,787
Klipfontein	2024	3,127,439	1,905,707
Soebatsfontein	2063	43,417,555	3,364,892
Garies	2030	11,236,204	8,836,796
Tweerivier	2040	7,763,077	2,292,184
Kharkams	2029	4,223,746	3,735,007
Spoegrivier	2024	3,551,835	2,374,766
Nourivier	2022	2,566,276	2,015,126
Leliefontein	2028	2,961,926	3,062,134
Rooifontein/ Kamassies	2028	4,444,021	2,940,007
Paulshoek	2030	3,101,552	2,762,136
Kamieskroon	2056	38,450,541	12,884,230
		161,604,039	**55,399,888**

12. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	2,175,079	2,119,915
Provision for Ex-Gratia Pension Benefits	-	-
Provision for Long Service Awards	1,094,712	983,503
Total Non-current Employee Benefits	**3,269,791**	**3,103,418**

Post Retirement Health Care Benefits

Balance 1 July	2,164,942	2,331,784
Contribution for the year	379,605	416,869
Expenditure for the year	(52,160)	(46,187)
Actuarial Loss/(Gain)	(268,108)	(537,524)
Total provision 30 June	**2,224,279**	**2,164,942**
Less: Transfer of Current Portion to Current Provisions - Note 14	(49,200)	(45,027)
Balance 30 June	**2,175,079**	**2,119,915**

Long Service Awards

Balance 1 July	1,186,768	1,051,024
Contribution for the year	200,115	186,790
Expenditure for the year	(53,480)	(30,035)
Actuarial Loss/(Gain)	(35,815)	(21,011)
Total provision 30 June	**1,297,588**	**1,186,768**
Less: Transfer of Current Portion to Current Provisions - Note 14	(202,876)	(203,265)
Balance 30 June	**1,094,712**	**983,503**

	2019 R	2018 R

12.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	20	22
In-service (employee) non-members	69	67
Continuation members (e.g. Retirees, widows, orphans)	2	2
Total Members	**91**	**91**

The liability in respect of past service has been estimated to be as follows:

In-service members	1,234,866	1,113,651
In-service non-members	678,794	765,477
Continuation members	310,619	285,814
Total Liability	**2,224,279**	**2,164,942**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 R	2016 R	2015 R
In-service members	1,233,705	1,093,881	820,417
In-service non-members	800,140	928,400	811,365
Continuation members	297,939	303,970	307,685
Total Liability	**2,331,784**	**2,326,251**	**1,939,467**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health

The Current-service Cost for the ensuing year is estimated to be R156 259, whereas the Interest Cost for the next year is estimated to be R211 077.

Key actuarial assumptions used:	2019 %	2018 %
i) Rate of interest		
Discount rate	9.59%	9.72%
Health Care Cost Inflation Rate	7.02%	7.48%
Net Effective Discount Rate	2.40%	2.08%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years for males and 58 years for females.

iv) Expected rate of salary increases

2019/2020 - CPI + 1,5%
2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,224,279	2,164,942
Fair value of plan assets	-	-
	2,224,279	2,164,942
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability	**2,224,279**	**2,164,942**
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2,164,942	2,331,784
Total expenses	379,605	370,682
Current service cost	171,310	187,465
Interest Cost	208,295	229,404
Benefits Paid	-	(46,187)
Actuarial (gains)/losses	(320,268)	(537,524)
Present value of fund obligation at the end of the year	2,224,279	2,164,942
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	-	-

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	1.914	0.311	2.224

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	+1%	2.172	0.328	2.500	12%
Health care inflation	-1%	1.612	0.295	1.907	-14%
Discount rate	+1%	1.599	0.295	1.895	-15%
Discount rate	-1%	2.316	0.328	2.644	19%
Post-retirement mortality	-1 year	1.975	0.327	2.303	4%
Average retirement age	-1 year	2.125	0.311	2.435	9%
Withdrawal Rate	-10%	1.296	0.311	1.607	-28%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	171,300	208,300	379,600

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	+1%	197,100	235,900	433,000	14%
Health care inflation	-1%	144,000	179,300	323,300	-15%
Discount rate	+1%	144,900	197,100	342,000	-10%
Discount rate	-1%	204,700	220,100	424,800	12%
Post-retirement mortality	-1 year	176,900	215,900	392,800	3%
Average retirement age	-1 year	175,100	229,800	404,900	7%
Withdrawal Rate	-10%	113,800	153,100	266,900	-30%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss		(478,000)	(358,000)
Assets: Gain / (loss)		-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 R	2016 R	2015 R
Liabilities: (Gain) / loss	(85,000)	169,000	(16,000)
Assets: Gain / (loss)	-	-	-

12.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 89 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R125 786 whereas the Interest Cost for the next year is estimated to be R96 688.

Key actuarial assumptions used:	2019 %	2018 %
i) Rate of interest		
Discount rate	8.07%	8.39%
General Salary Inflation (long-term)	5.48%	6.03%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.46%	2.23%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,297,588	1,186,768
Fair value of plan assets	-	-
	1,297,588	1,186,768
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability	**1,297,588**	**1,186,768**

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,186,768	1,051,024
Total expenses	146,635	156,755
Current service cost	108,900	102,485
Vested past service cost	-	-
Interest Cost	91,215	84,305
Benefits Paid	(53,480)	(30,035)
Actuarial gains	(35,815)	(21,011)
Present value of fund obligation at the end of the year	**1,297,588**	**1,186,768**

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	Change	Liability (Rm)	% change
Assumption			
Central assumptions			
General earnings inflation rate	+1%	1.379	6%
General earnings inflation rate	-1%	1.224	-6%
Discount rate	+1%	1.221	-6%
Discount rate	-1%	1.384	7%
Average retirement age	-2 yrs	1.210	-7%
Average retirement age	+2 yrs	1.358	5%
Withdrawal rates	-50%	1.492	15%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	125,800	96,700	222,500

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
General earnings inflation rate	+1%	136,900	103,300	240,200	8%
General earnings inflation rate	-1%	115,900	90,700	206,600	-7%
Discount rate	+1%	116,600	101,800	218,400	-2%
Discount rate	-1%	136,200	90,800	227,000	2%
Average retirement age	-2 years	118,300	89,600	207,900	-7%
Average retirement age	+2 years	133,100	101,600	234,700	5%
Withdrawal Rate	-50%	156,800	112,400	269,200	21%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(58,776)	41,142
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

12.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund has a funding level of 103,7% (30 June 2016 - 102,6%).

Contributions paid recognised in the Statement of Financial Performance	623,933	623,933

	2019 R	2018 R
LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)		
The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund has a funding level of 103,7% (30 June 2017 - 102,6%).		
Contributions paid recognised in the Statement of Financial Performance	1,283,024	623,933
DEFINED CONTRIBUTION FUNDS		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Government Employees Pension Fund	-	-
Municipal Councillors Pension Fund	-	-
National Fund Municipal Workers	91,305	-
SAMWU National Provident Fund	779,529	753,272
	870,835	753,272

13. CONSUMER DEPOSITS

Water and Electricity	1,503,375	1,491,918
Total Consumer Deposits	**1,503,375**	**1,491,918**

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

14. CURRENT EMPLOYEE BENEFITS

Staff Bonuses	529,538	496,418
Staff Leave	1,171,148	1,369,771
Current Portion of Non-Current Provisions	252,076	248,292
Current Portion of Post Retirement Benefits - Note 12	49,200	45,027
Current Portion of Long-Service Provisions - Note 12	202,876	203,265
Total Provisions	**1,952,762**	**2,114,481**

14.1 *Staff Bonuses*

Balance at beginning of year	496,418	463,896
Contribution to current portion	1,234,244	1,174,686
Expenditure incurred	(1,201,123)	(1,142,165)
Balance at end of year	**529,538**	**496,418**

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

14.2 *Staff Leave*

Balance at beginning of year	1,369,771	1,328,707
Contribution to current portion	79,045	380,681
Expenditure incurred	(277,669)	(339,616)
Balance at end of year	**1,171,148**	**1,369,771**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

		2019 R	2018 R
15.	**TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**		
	Trade Payables	24,673,139	16,158,282
	Previously stated	-	17,041,426
	Correction of Error - Note 38.4	-	(883,144)
	Accrued Interest	-	-
	Advance Payments	1,113,760	1,006,074
	Control, Clearing and Interface Accounts	3,837,067	6,180,569
	Previously stated	-	6,248,419
	Correction of Error - Note 38.4	-	(67,849)
	Retentions	1,193,581	497,615
	Total Trade Payables	**30,817,547**	**23,842,540**

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

16.	**UNSPENT TRANSFERS AND SUBSIDIES**		
	Unspent Transfers and Subsidies	5,590,210	4,757,864
	National Government Grants	34,914	-
	Provincial Government Grants	5,237,674	4,472,715
	District Municipality	317,622	285,149
	Other Sources		
	Less: Unpaid Transfers and Subsidies	-	-
	National Government Grants	-	-
	Provincial Government Grants	-	-
	District Municipality	-	-
	Other Sources	-	-
	Total Unspent Transfers and Subsidies	**5,590,210**	**4,757,864**

See Appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

		2019 R	2018 R
17.	**TAXES**		
17.1	VAT Payable	(348,914)	(177,099)
	VAT Output in Suspense	(4,449,139)	(3,794,294)
	Less: Contribution to Provision for Doubtful Debt Impairment	-	3,773,894
	Total VAT Payable	**(4,798,053)**	**(197,498)**
17.2	VAT Receivable	(509,490)	1,350,498
	VAT Input in Suspense	11,049,672	3,023,786
	Total VAT Receivable	**10,540,183**	**4,374,284**
17.3	**Net VAT (Payable)/Receivable**	5,742,129	4,176,786

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

18. PROPERTY RATES

Actual		
Rateable Land and Buildings	10,708,218	9,983,610
Less: Revenue Forgone	(2,394,075)	(2,334,020)
Total Property Rates	**8,314,143**	**7,649,589**
Valuations - 1 July 2018		
Rateable Land and Buildings	1,362,638,300	1,362,638,300
Business and Commercial Property	33,812,200	33,812,200
Mining Properties	68,500,100	68,500,100
Municipal Properties	22,313,700	21,906,800
Protected Areas	5,159,000	5,159,000
Public Service Infrastructure Properties	182,800	182,800
Residential Properties	200,967,700	201,887,600
State - National/ Provincial Services	67,983,900	67,983,900
Agricultural Purposes	873,190,100	873,190,100
Multiple Purposes	4,786,800	4,786,800
Other Categories	85,742,000	85,229,000
Less: Revenue Forgone	-	-
Total Assessment Rates	**1,362,638,300**	**1,362,638,300**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	1.5164c/R	1.4305c/R
Commercial	2.2746c/R	2.1458c/R
Agricultural	0.063682c/R	0,06007c/R
State	3.7910c/R	3.5764c/R
Industrial	2.2746c/R	2.1458c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at a rate determined by the council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	- The first R15 000 on the valuation is exempted.
Public Benefit Organisations	- 100%
State	- 30%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

		2019 R	2018 R
19.	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Government Grants and Subsidies - Operating	26,804,424	23,986,954
	Equitable Share	20,768,000	19,362,000
	Expanded Public Works Programme Integrated Grant	1,000,000	728,000
	Local Government Financial Management Grant	2,415,000	2,345,000
	Municipal Disaster Grant	-	-
	Municipal Infrastructure Grant	-	-
	Northern Cape Tourism Authority	95,005	-
	Housing	-	-
	Sports and Recreation	-	-
	Disaster and Emergency Services	-	-
	Libraries, Archives and Museums	1,287,380	929,468
	Capacity Building	-	-
	Namakwa DM	1,239,039	622,486
	Government Grants and Subsidies - Capital	20,968,615	20,271,025
	Integrated National Electrification Programme Grant	-	-
	Municipal Infrastructure Grant	11,867,000	13,101,000
	Neighbourhood Development Partnership Grant	-	-
	Rural Road Asset Management Systems Grant	-	-
	Urban Settlements Development Grant	-	-
	Expanded Public Works Programme Integrated Grant	-	649,311
	Water Services Infrastructure Grant	6,970,309	3,994,526
	Namakwa DM	-	-
	Drought Relief	1,466,220	2,526,188
	Integrated National Electrification Programme Grant	665,086	-
	Total Government Grants and Subsidies	**47,773,039**	**44,257,979**
	Included in above are the following grants and subsidies received:		
	Unconditional	20,768,000	19,362,000
	Equitable Share	20,768,000	19,362,000
	Conditional	27,005,039	24,895,979
	Local Government Financial Management Grant	2,415,000	2,345,000
	Municipal Systems Improvement Grant [Schedule 5B]	-	-
	Libraries, Archives and Museums	1,287,380	929,468
	Expanded Public Works Programme Integrated Grant	1,000,000	1,377,311
	Namakwa DM	1,239,039	622,486
	Municipal Infrastructure Grant	11,867,000	13,101,000
	Northern Cape Tourism Authority	95,005	-
	Water Services Infrastructure Grant	6,970,309	3,994,526
	Integrated National Electrification Programme Grant	665,086	
	Drought Relief	1,466,220	2,526,188
	Total Government Grants and Subsidies	**47,773,039**	**44,257,979**
	Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
	Equitable share	20,768,000	19,362,000
	Executive & Council	-	-
	Finance and Administration	16,987,259	16,997,954
	Community & Social Services	1,287,380	-
	Sport & Recreation	-	-
	Public Safety	-	-
	Housing	-	-
	Planning and Development	1,095,005	1,000,000
	Road Transport	-	377,311
	Energy Sources	665,086	-
	Water Management	6,970,309	6,520,714
	Waste Water Management	-	-
	Waste Management	-	-
	Total Government Grants and Subsidies	**47,773,039**	**44,257,979**

		2019 R	2018 R
19.1	**Equitable Share**		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	20,768,000	19,362,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(20,768,000)	(19,362,000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

19.2	**Local Government Financial Management Grant (FMG)**		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	2,415,000	2,345,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(2,415,000)	(2,345,000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

19.3	**Municipal Infrastructure Grant (MIG)**		
	Opening balance	-	238,127
	Correction of Error	-	-
	Grants received	11,867,000	13,101,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	(238,000)
	Conditions met - Operating	-	-
	Conditions met - Capital	(11,867,000)	(13,101,127)
	Conditions still to be met	-	-

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

19.4	**Integrated National Electrification Grant**		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	700,000	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(665,086)	-
	Conditions still to be met	34,914	-

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

		2019 R	2018 R
19.5	**Expanded Public Works Programme (EPWP)**		
	Opening balance	-	1,377,311
	Correction of Error	-	-
	Grants received	1,000,000	1,000,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	(1,000,000)
	Conditions met - Operating	(1,000,000)	(728,000)
	Conditions met - Capital	-	(649,311)
	Conditions still to be met	-	-
	The grant was used for job creation.		
19.6	**Department Water Affairs and Environment (DWAF)**		
	Opening balance	146,837	141,362
	Correction of Error	-	-
	Grants received	9,821,000	4,000,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(6,970,309)	(3,994,526)
	Conditions still to be met	2,997,528	146,837
	The grant was used for the refurbishment of water infrastructure.		
19.7	**Library Grant**		
	Opening balance	2,132,607	2,261,094
	Correction of Error	-	-
	Grants received	613,000	791,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(1,287,380)	(919,487)
	Conditions met - Capital	-	-
	Conditions still to be met	1,458,227	2,132,607
	The grant was used to finance library activities.		
19.8	**Tourism**		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	150,000	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(95,005)	-
	Conditions met - Capital	-	-
	Conditions still to be met	54,995	-
	The grant was used to finance tourism activities.		
19.9	**Namakwa District Municipality**		
	Opening balance	285,277	285,149
	Correction of Error	-	-
	Grants received	1,271,383	622,614
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(1,239,039)	(622,486)
	Conditions met - Capital	-	-
	Conditions still to be met	317,622	285,277
	The grant was used for various projects.		

		2019 R	2018 R
19.10	**Project Nala**		
	Opening balance	620,180	620,180
	Correction of Error	-	-
	Grants received	-	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	620,180	620,180
	The grant was used for job creation.		
19.11	**Department Finance, Economic Development & Tourism**		
	Opening balance	100,000	100,000
	Correction of Error	-	-
	Grants received	-	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	100,000	100,000
	The grant was used for job creation.		
19.12	**Department Social Services**		
	Opening balance	482	482
	Correction of Error	-	-
	Grants received	-	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	482	482
	The grant was used for various projects.		
19.13	**Department Sport, Arts and Culture**		
	Opening balance	6,262	6,262
	Correction of Error	-	-
	Grants received	-	-
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	6,262	6,262
	The grant was used for various related projects.		
19.14	**Drought Relief**		
	Opening balance	1,466,220	24,409
	Correction of Error	-	-
	Grants received	-	3,968,000
	Interest received	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(1,466,220)	(2,526,188)
	Conditions still to be met	-	1,466,220
	The grant was used for drought relief.		

		2019 R	2018 R
19.15	**Total Grants**		
	Opening balance	4,757,865	5,054,376
	Correction of Error	-	-
	Grants received	48,605,383	45,199,468
	Interest received	-	-
	Repaid to National Revenue Fund	-	(1,238,000)
	Conditions met - Operating	(26,804,424)	(23,986,954)
	Conditions met - Capital	(20,968,615)	(20,271,025)
	Conditions still to be met/(Grant expenditure to be recovered)	5,590,210	4,757,865
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	5,590,210	4,757,864
	Unpaid Conditional Government Grants and Receipts	-	-
	Total	**5,590,210**	**4,757,864**
20.	**PUBLIC CONTRIBUTIONS AND DONATIONS**		
	Public Contributions - Unconditional - Other	32,500	329,453
	Total Public Contributions and Donations	**32,500**	**329,453**
21.	**SERVICE CHARGES**		
	Electricity	**7,830,652**	**7,738,640**
	Service Charges	8,992,758	8,849,577
	Less: Revenue Forgone	(1,162,106)	(1,110,937)
	Water	**2,877,380**	**3,083,538**
	Service Charges	3,992,868	4,065,944
	Less: Revenue Forgone	(1,115,488)	(982,405)
	Waste Management	**1,314,566**	**1,285,437**
	Service Charges	2,317,601	2,173,869
	Less: Revenue Forgone	(1,003,035)	(888,432)
	Waste Water Management	**1,469,645**	**1,380,936**
	Service Charges	1,791,089	1,671,042
	Less: Revenue Forgone	(321,445)	(290,106)
	Total Service Charges	**13,492,243**	**13,488,550**

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22.	**SALES OF GOODS AND RENDERING OF SERVICES**		
	Building Plan Approval	4,782	7,283
	Camping Fees	5,422	5,078
	Cemetery and Burial	5,543	-
	Entrance Fees	43,940	-
	Photocopies and Faxes	5,672	7,281
	Sale of Goods	28,958	32,416
	Total Sales of Goods and Rendering of Services	**94,318**	**52,057**

		2019 R	2018 R
23.	**RENTAL FROM FIXED ASSETS**		
	Investment Property	67,875	-
	Property, Plant and Equipment	36,582	139,792
	Total Rental from Fixed Assets	**104,457**	**139,792**
24.	**INTEREST EARNED - EXTERNAL INVESTMENTS**		
	Bank	412,483	793,248
	Other	-	-
	Total Interest Earned - External Investments	**412,483**	**793,248**
25.	**INTEREST EARNED - OUTSTANDING RECEIVABLES**		
	Trade Receivables	3,958,937	3,149,625
	Other Receivables	2,752,531	2,250,070
	Total Interest Earned - Outstanding Receivables	**6,711,468**	**5,399,695**
26.	**OPERATIONAL REVENUE**		
	Debt relief	3,854,114	7,004,422
	Insurance Refund	4,442	14,445
	Staff Recoveries	9,486	-
	Skills Development Levy Refund	42,409	-
	Total Operational Revenue	**3,910,451**	**7,018,867**

		2019 R	2018 R
	Operational revenue disclosed in the Statement of Financial Performance:		
	Receivables from Exchange Transactions	42,409	-
	Receivables from Non-Exchange Transactions	3,868,043	7,018,867
	Total Operational Revenue	**3,910,451**	**7,018,867**
27.	**EMPLOYEE RELATED COSTS**		
	Basic Salaries and Wages	15,955,421	15,664,425
	Pension and UIF Contributions	2,166,117	2,005,729
	Medical Aid Contributions	618,075	591,858
	Overtime	1,328,367	917,302
	Bonuses	1,234,244	1,174,686
	Motor Vehicle Allowance	895,407	532,916
	Cell Phone Allowance	71,300	77,840
	Housing Allowances	171,937	154,528
	Other benefits and allowances	693,752	130,381
	Payments in lieu of leave	79,045	380,681
	Post-retirement Benefit Obligations	579,720	603,659
	Total Employee Related Costs	**23,793,385**	**22,234,005**

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

	2019 R	2018 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - Mr JG Cloete (previous)		
Basic Salary	-	383,528
Pension and UIF Contributions	-	1,041
Medical Aid Contributions	-	23,704
Overtime	-	-
Bonus	-	-
Motor Vehicle Allowance	-	68,253
Cell Phone Allowance	-	6,340
Housing Allowances	-	8,749
Other benefits and allowances	-	6,184
Payments in lieu of leave	-	108,640
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**-**	**606,440**
Remuneration of the Municipal Manager - Mr RC Beukes (current)		
Basic Salary	564,803	219,627
Pension and UIF Contributions	99,426	40,276
Medical Aid Contributions	21,497	7,614
Overtime	-	-
Bonus	-	-
Motor Vehicle Allowance	232,865	94,064
Cell Phone Allowance	22,800	9,500
Housing Allowances	12,420	5,175
Other benefits and allowances	93,146	41,377
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**1,046,957**	**417,634**
Remuneration of the Chief Financial Officer - Mr RC Beukes (previous)		
Basic Salary	-	273,868
Pension and UIF Contributions	-	50,337
Medical Aid Contributions	-	10,307
Overtime	-	-
Bonus	-	55,415
Motor Vehicle Allowance	-	38,500
Cell Phone Allowance	-	5,250
Housing Allowances	-	7,245
Other benefits and allowances	-	4,025
Payments in lieu of leave	-	74,680
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**-**	**519,626**
Remuneration of the Chief Financial Officer - Ms RM Cloete (acting)		
Basic Salary	-	-
Pension and UIF Contributions	-	-
Medical Aid Contributions	-	-
Overtime	-	-
Performance Bonus	-	-
Motor Vehicle Allowance	44,000	16,500
Cell Phone Allowance	-	-
Housing Allowances	-	-
Other benefits and allowances	46,897	22,646
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**90,897**	**39,146**

	2019 R	2018 R
Remuneration of the Chief Financial Officer - Mr TE Diphokoje (Current)		
Basic Salary	216,584	-
Pension and UIF Contributions	18,301	-
Medical Aid Contributions	6,448	-
Overtime	-	-
Performance Bonus	-	-
Motor Vehicle Allowance	22,000	-
Cell Phone Allowance	3,000	-
Housing Allowances	4,140	-
Other benefits and allowances	27,047	-
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**297,519**	**-**
Remuneration of Director : Corporate Services - Ms DC Cloete (previously DC Beukes)		
Basic Salary	62,291	346,145
Pension and UIF Contributions	11,005	62,740
Medical Aid Contributions	5,093	30,386
Overtime	-	-
Bonus	28,738	26,712
Motor Vehicle Allowance	-	-
Cell Phone Allowance	1,500	9,000
Housing Allowances	-	-
Other benefits and allowances	-	3,942
Payments in lieu of leave	42,803	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**151,430**	**478,926**
Remuneration of Director : Community Services (LED) - Mr JG Cloete		
Basic Salary	35,390	180,000
Pension and UIF Contributions	149	744
Medical Aid Contributions	3,052	12,206
Overtime	-	-
Bonus	-	-
Motor Vehicle Allowance	13,542	67,708
Cell Phone Allowance	1,000	5,000
Housing Allowances	1,035	5,175
Other benefits and allowances		2,813
Payments in lieu of leave	15,288	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**69,455**	**273,646**
Remuneration of Director : Technical Services - Mr FA Links		
Basic Salary	359,963	338,247
Pension and UIF Contributions	66,225	61,335
Medical Aid Contributions	43,956	41,854
Overtime	-	-
Bonus	29,997	28,151
Motor Vehicle Allowance	66,000	66,000
Cell Phone Allowance	9,000	9,000
Housing Allowances	12,420	12,420
Other benefits and allowances	-	4,686
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	**587,561**	**561,692**

		2019 R	2018 R
Remuneration of Director : Technical Services - Mr J Witbooi (acting)			
Basic Salary		-	-
Pension and UIF Contributions		-	-
Medical Aid Contributions		-	-
Overtime		-	-
Performance Bonus		-	-
Motor Vehicle Allowance		-	-
Cell Phone Allowance		-	-
Housing Allowances		-	-
Other benefits and allowances		-	51,152
Payments in lieu of leave		-	-
Long service awards		-	-
Post-retirement benefit obligations		-	-
Total		**-**	**51,152**
Remuneration of Director : Technical Services - Mr BM Paulus (acting)			
Basic Salary		74,806	-
Pension and UIF Contributions		866	-
Medical Aid Contributions		-	-
Overtime		-	-
Performance Bonus		15,167	-
Motor Vehicle Allowance		-	-
Cell Phone Allowance		-	-
Housing Allowances		-	-
Other benefits and allowances		-	-
Payments in lieu of leave		4,942	-
Long service awards		-	-
Post-retirement benefit obligations		-	-
Total		**95,781**	**-**
28. REMUNERATION OF COUNCILLORS			
Remuneration of Councillors		-	-
PJ Willems		243,783	287,490
MJ Cloete (Mayor)		-	666,230
SC Nero (Mayor)		807,192	-
SC Nero (Councillor)		2,975	287,135
S Engelbrecht		3,407	-
LE Petersen		286,080	286,261
MC Rooi		286,080	286,261
CC Kordom		262,240	286,261
H Steenkamp		286,080	184,431
MJ Cloete (Councillor)		286,080	40,421
MJB Hanekom		12,264	85,627
Total Councillors' Remuneration		**2,476,180**	**2,410,116**
29. CONTRACTED SERVICES			
Outsourced Services		2,520,872	2,218,805
Consultants and Professional Services	- Other	1,148,822	229,567
Consultants and Professional Services	- Legal Costs	-	872,243
Contractors		1,031,193	759,856
Total Contracted Services		**4,700,887**	**4,080,472**
30. DEPRECIATION AND AMORTISATION			
Property, Plant and Equipment		17,398,206	16,332,002
Intangible Assets		45,219	39,270
Total Depreciation and Amortisation		**17,443,426**	**16,371,272**

		2019 R	2018 R
31.	**FINANCE COSTS**		
	Long-term Borrowings	182,118	275,730
	Non-current Provisions	1,847,987	1,696,553
	Payables	1,544,861	2,010,742
	Total Finance Costs	**3,574,966**	**3,983,025**
32.	**BULK PURCHASES**		
	Electricity	9,530,540	9,089,921
	Water	216,753	153,382
	Total Bulk Purchases	**9,747,293**	**9,243,302**
33.	**OPERATIONAL COSTS**		
	Advertising, Publicity and Marketing	180,309	298,625
	Audit Fees	2,232,446	2,781,211
	Bank Charges, Facility and Card Fees	75,690	40,177
	Communication	406,623	659,353
	External Computer Service	524,741	168,519
	Fines and Penalties	364,128	-
	Hire Charges	1,309,988	288,642
	Insurance Underwriting	352,142	390,661
	Licences	145,521	121,347
	Printing, Publications and Books	-	54,505
	Professional Bodies, Membership and Subscription	507,205	500,000
	Registration Fees	30,081	106,411
	Signage	-	7,310
	Skills Development Fund Levy	215,108	190,801
	Travel and Subsistence	1,433,724	1,521,495
	Uniform and Protective Clothing	16,949	14,508
	Remuneration to Ward Committees	105,500	-
	Total Operational Costs	**7,900,155**	**7,143,564**
34.	**REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES**		
	Receivables from Exchange Transactions - Note 7	7,445,941	3,875,336
	Receivables from Non-exchange Revenue - Note 8	6,672,604	7,553,095
	Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	**14,118,545**	**11,428,431**
35.	**GAINS/(LOSS) ON SALE OF FIXED ASSETS**		
	Property, Plant and Equipment	15,501	(123,473)
	Total Gains/ (Loss) on Sale of Fixed Assets	**15,501**	**(123,473)**
36.	**REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FIXED ASSETS**		
	Property, Plant and Equipment	(0)	1,549,836
	Total Impairment Loss on Fixed Assets	**(0)**	**1,549,836**

	2019 R	2018 R

37. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2018 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Accumulated Surplus/(Deficit)	178,819,458	-	178,819,458
Long-term Liabilities	-	-	-
Long-term Borrowings	1,004,712	-	1,004,712
Non-current Provisions	13,885,880	-	13,885,880
Non-current Employee Benefits	3,103,418	-	3,103,418
Consumer Deposits	1,491,918	-	1,491,918
Provisions	-	-	-
Current Employee Benefits	2,114,481	-	2,114,481
Payables from exchange transactions	-	-	-
Trade and Other Payables from Exchange Transactions	24,793,534	-	24,793,534
Unspent Conditional Government Grants and Receipts	-	-	-
Unspent Conditional Public Contributions and Receipts	-	-	-
Unspent Transfers and Subsidies	4,757,864	-	4,757,864
Transfers and Subsidies Payable	-	-	-
Taxes	-	-	-
Short-term Loans	-	-	-
Short-term Borrowings	-	-	-
Operating Lease Liability	-	-	-
Cash and Cash Equivalents	-	-	-
Current Portion of Long-term Liabilities	-	-	-
Current Portion of Long-term Borrowings	920,030	-	920,030
Property, Plant and Equipment	192,737,756	-	192,737,756
Agricultural	-	-	-
Investment Property	24,068,505	-	24,068,505
Intangible Assets	97,826	-	97,826
Heritage Assets	5,400	-	5,400
Investments	-	-	-
Long-term Receivables	-	-	-
Non-Current Receivables from Exchange Transactions	-	-	-
Non-Current Receivables from Non-Exchange Transactions	-	-	-
Inventory	294,424	-	294,424
Receivables from exchange transactions	2,313,789	-	2,313,789
Receivables from non-exchange transactions	529,280	-	529,280
Unpaid Conditional Government Grants and Receipts	-	-	-
Unpaid Transfers and Subsidies	-	-	-
Operating Lease Asset	-	-	
Taxes	4,176,786	-	4,176,786
Current Portion of Long-term Receivables	-	-	-
Cash and Cash Equivalents	6,667,531	-	6,667,531
Short-term Investments	-	-	-
	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	7,649,589	-	7,649,589
Surcharges and Taxes	-	-	-
Government Grants and Subsidies	44,257,979	-	44,257,979
Public Contributions and Donations	62,697	-	62,697
Contributed Property, Plant and Equipment	-	-	-
Actuarial Gains	558,535	-	558,535
Fines	-	-	-
Fines, Penalties and Forfeits	2,190	-	2,190
Interest Earned - Non-exchange Transactions	-	-	-
Third Party Payments	-	-	-
Licences and Permits	-	-	-
Other Revenue from Non-exchange Transactions	-	-	-
Property Rates - penalties imposed and collection charges	-	-	-
Service Charges	13,488,550	-	13,488,550
Water Services Authority Contribution	-	-	-
Sales of Goods and Rendering of Services	52,057	-	52,057
Rental of Facilities and Equipment	-	-	-
Rent on Land	-	-	-
Rental from Fixed Assets	139,792	-	139,792
Interest Earned - external investments	793,248	-	793,248
Interest Earned - Exchange Transactions	5,399,695	-	5,399,695
Licences and Permits	200,980	-	200,980
Income for Agency Services	-	-	-
Agency Services	391,206	-	391,206
Other Income from Exchange Transactions	-	-	-
Operational Revenue	7,018,867	-	7,018,867
Unamortised Discount - Interest	-	-	-
Employee related costs	(21,635,427)	-	(21,635,427)
Remuneration of Councillors	(2,410,116)	-	(2,410,116)
Bad Debts Written Off	-	-	-
Contracted Services	(6,027,505)	-	(6,027,505)
Depreciation and Amortisation	(15,546,136)	-	(15,546,136)
Actuarial Losses	-	-	-
Finance Costs	(3,428,083)	-	(3,428,083)
Bulk Purchases	(9,334,192)	-	(9,334,192)
Inventory Consumed	(2,404,900)	-	(2,404,900)
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	(6,701,101)	-	(6,701,101)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(11,428,431)	-	(11,428,431)
Gains/(Loss) on Sale of Fixed Assets	(123,473)	-	(123,473)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	58,734	-	58,734
Profit/(Loss) on Fair Value Adjustments	3,042,857	-	3,042,857
Profit/(Loss) from Discontinued Operations	-	-	-
Water Losses	-	-	-
Net Surplus/(Deficit) for the year	**4,077,610**	**-**	**4,077,610**

		2019 R	2018 R
38.	**CORRECTION OF ERROR IN TERMS OF GRAP 3**		

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality as a result of misstatements in prior year Financial Statements:

38.1	**Property, Plant and Equipment**		
	Balance previously reported		
	Cost	-	361,695,785
	Previously stated	-	353,531,413
	Correction of Landfill Sites Cost for 2017/2018 - Note 2.2	-	7,922,662
	Correction of Land disposed in period prior to 1 July 2017 - Note 3	-	(2,000)
	Correction of Capital Expenditure not capitalised in 2017/2018 - Note 2.2	-	243,709
	Accumulated Depreciation	-	(161,610,978)
	Previously stated	-	(160,793,657)
	Correction of Landfill Sites Accumulated Depreciation for 2017/2018 - Note 2.2	-	(817,321)
	Restated Balance	**-**	**200,084,807**

Provision for Landfill sites were restated retropectively in line with the 2019 Specialist Consulting Engineer's report. The prior year provision is insufficient to rehabilitate the landfill sites at the end their usefull lives.

38.2	**Investment Property**		
	Balance previously reported	-	24,068,505
	Correction of vacant erven disposed in period prior to 1 July 2017 - Note 3	-	(10,900)
	Correction of Investment Property incorrectly disposed in period prior to 1 July 2017 - Note 3	-	5,085
	Restated Balance	**-**	**24,062,690**

Correction of Investment Property balances previously disclosed.

38.3	**Receivables from Non-Exchange Transactions**		
	Balance previously reported	-	529,280
	Correction of Sundry debtors not recorded in 2017/2018	-	143,980
	Restated Balance	**-**	**673,260**

Sundry debtors not recognised relating to debit orders refunds and recognised as bank charges in 2017/2018.

38.4	**Non-Current Provisions**		
	Balance previously reported	-	13,885,880
	Correction of Landfill sites non-current provision recognised in prior year - Note 11	-	6,986,502
	Restated Balance	**-**	**20,872,382**

Correction of provision for Rehabilitation of Landfill-sites based on revised Engineer's report.

		2019 R	2018 R
38.5	**Trade and Other Payables from Exchange Transactions**		
	Balance previously reported	-	24,793,534
	Correction of Control, Clearing and Interface accounts prior to 1 July 2017 - Note 15	-	(67,849)
	Correction of Creditors payments not recorded in 2017/2018 - Note 15	-	(883,144)
	Restated Balance	-	23,842,540

Trade Payables and control account overstated in previous years.

38.6	**Accumulated Surplus/(Deficit) - 1 July 2017**		
	Correction of Land disposed in period prior to 1 July 2017 - Note 38.1	-	(2,000)
	Correction of vacant erven disposed in period prior to 1 July 2017 - Note 38.2	-	(10,900)
	Correction of Investment Property incorrectly disposed in period prior to 1 July 2017 - Note 38.2	-	5,085
	Total	-	**(7,815)**

38.7 **Changes to Statement of Financial Performance**

Movement on operating account as a result of prior year errors:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		7,649,589	-	7,649,589
Surcharges and Taxes		-	-	-
Government Grants and Subsidies		44,257,979	-	44,257,979
Public Contributions and Donations		62,697	266,756	329,453
Contributed Property, Plant and Equipment		-	-	-
Actuarial Gains		558,535	-	558,535
Fines, Penalties and Forfeits		2,190	-	2,190
Operational Revenue		7,018,867	-	7,018,867
Licences and Permits from Non-Exchange Transactions		-	-	-
Service Charges		13,488,550	-	13,488,550
Sales of Goods and Rendering of Services		52,057	-	52,057
Rental from Fixed Assets		139,792	-	139,792
Interest Earned - External Investments		793,248	-	793,248
Interest Earned - Outstanding Receivables		5,399,695	-	5,399,695
Licences and Permits from Exchange Transactions		200,980	-	200,980
Agency Services		391,206	-	391,206
Operational Revenue		-	-	-
Total		**80,015,384**	**266,756**	**80,282,140**
Expenditure				
Employee related costs		(21,635,427)	(598,578)	(22,234,005)
Remuneration of Councillors		(2,410,116)	-	(2,410,116)
Bad Debts Written Off		-	-	-
Contracted Services		(6,027,505)	1,947,033	(4,080,472)
Depreciation and Amortisation		(15,546,136)	(825,136)	(16,371,272)
Actuarial Losses		-	-	-
Finance Costs		(3,428,083)	(554,942)	(3,983,025)
Bulk Purchases		(9,334,192)	90,890	(9,243,302)
Inventory Consumed		(2,404,900)	80,255	(2,324,645)
Operating Leases		-	-	-
Transfers and Subsidies Payable		-	(5,209)	(5,209)
Operational Costs		(6,701,101)	(442,464)	(7,143,564)
Total		**(67,487,459)**	**(308,151)**	**(67,795,611)**
Gains and Losses				
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(11,428,431)	-	(11,428,431)
Gains/(Loss) on Sale of Fixed Assets		(123,473)	-	(123,473)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		58,734	1,491,102	1,549,836
Fair Value Adjustments on Financial Instruments		3,042,857	-	3,042,857
Total		**(8,450,314)**	**1,491,102**	**(6,959,211)**
Net Surplus/(Deficit) for the year		**4,077,610**	**1,449,707**	**5,527,318**

		2019 R	2018 R
39.	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year	(6,636,207)	5,527,318
	Adjustments for:		
	Depreciation and Amortisation	17,443,426	15,546,136
	Loss/(Gain) on Sale of Fixed Assets	(15,501)	121,439
	Impairment Loss/(Reversal of Impairment Loss)	-	529,971
	Disposal of Fixed Assets	81,890	-
	Government Grants and Subsidies received	48,605,383	43,951,486
	Government Grants and Subsidies recognised as revenue	(47,773,039)	(44,247,999)
	Change in Provision for Rehabilitation Cost	1,847,987	1,141,611
	Contribution from/to - Current Employee Benefits	1,309,486	1,555,367
	Contribution from/to provisions - Non-Current Employee Benefits	474,080	527,437
	Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(303,923)	(558,535)
	Contribution to provisions – Bad Debt	14,118,545	11,428,428
	Operating Surplus/(Deficit) before changes in working capital	29,152,128	35,522,657
	Changes in working capital	(9,826,400)	(17,712,488)
	Increase/(Decrease) in Provisions	-	-
	Increase/(Decrease) in Trade and Other Payables	6,975,007	(832,641)
	Increase/(Decrease) in Employee Benefits	(1,478,792)	(2,931,485)
	Increase/(Decrease) in Taxes	(1,565,344)	(2,490,820)
	Increase/(Decrease) in Short-term Loans	-	
	(Increase)/Decrease in Inventory	89,225	(173,131)
	(Increase)/Decrease in Trade Receivables from Exchange Transactions	(6,764,789)	(5,579,885)
	(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(7,081,708)	(5,704,526)
	(Increase)/Decrease in Repay Arrangements		-
	Cash generated/(absorbed) by operations	19,325,727	17,810,170
40.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Current Accounts - Note 9	345,169	420,502
	Call Deposits and Investments - Note 9	2,108,303	6,247,029
	Total cash and cash equivalents	**2,453,473**	**6,667,531**
41.	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 9	2,453,473	6,667,531
	Less:	(5,241,295)	(4,580,766)
	Unspent Transfers and Subsidies - Note 16	(5,590,210)	(4,757,864)
	VAT - Note 17	348,914	177,099
	Resources available for working capital requirements	**(2,787,823)**	**2,086,765**

		2019 R	2018 R
42.	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 10	1,021,338	1,924,743
	Used to finance property, plant and equipment - at cost	(1,021,338)	(1,924,743)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

43. BUDGET INFORMATION

43.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to non-payment of consumer debtors, effect of water crisis due to ongoing drought, reclassification as a result of implementation of mSCOA and discount received from the Auditor-General.

Explanation of variances greater than 5%: Final Budget and Actual Amounts

43.2 Statement of Financial Position

43.2.1 Current Assets

Cash and Cash Equivalents

Decrease in call investments as a result of funds used for expenditure.

Call Investment Deposits

Decrease in call investments as a result of funds used for expenditure.

Consumer Debtors

Increase in provision of debt impairment due to non-payment by consumers.

Other Debtors

Increase in VAT Receivable, due to increase in Trade and Other Payables.

Inventory

Decrease due to derecognition of land for RDP housing in the Financial Statements.

43.2.2 Non-Current Assets

Investments

No transfers to long-term investments. All surplus funds were invested as short-term investments.

Intangible Assets

Increase in amortisation of Intangible Assets.

Other Non-Current Assets

Variance as a result of reconstructuring the Asset Register.

43.2.3 Current Liabilities

Borrowing

Increase in short term capital recoupment of finance leases.

Trade and Other Payables

Increase in Payables due to a decrease in available cash funds for repayment of payables.

Provisions

Change in accounting estimates relating to Provision for Rehabilitation of Landfill-sites.

43.2.4 Non-Current Liabilities

Borrowing

Increase in short term capital recoupment of finance leases.

Borrowing

Decrease in short term capital of finance leases.

43.2.5 Net Assets

Accumulated Surplus/(Deficit)

Net result of all deviations.

Statement of Financial Performance

43.2.6 Revenue

Service Charges - Water Revenue

Decrease in water use by consumers due to water restrictions implemented during ongoing water drought.

Service Charges - Sanitation Revenue

Decrease in waste water quantities due to water restrictions implemented during ongoing water drought.

Service Charges - Refuse Revenue

Decrease in request of additional refuse removals.

Rental of Facilities and Equipment

Decrease in contracted rental agreements.

43.2.7 Expenditure

Employee Related Costs

No filling of vacant posts.

Remuneration of Councillors

Councillors appointed to council of district municipality.

Debt Impairment

Increase in non-payment by consumers.

Depreciation and Asset Impairment

Decrease in Asset carrying value due to deteriorating infrastructure and acquisition of additional infrastructure.

Finance Charges

Increase in interest paid to suppliers due to insufficient cash availability.

Bulk Purchases

Decrease in distribution losses and lowered demand due to ongoing water drought.

Other Materials

Reclassification as a result of mSCOA implementation.

Contracted Services

Increase in value of outsourced services.

Operational Costs

Increase in hire charges

Loss on Disposal of PPE

All disposals of PPE due to asset write-offs and therefore no recoupment of carrying amount.

Cash Flow Statement

43.2.8 Net Cash from Operating Activities

Taxation

Decrease in receipts from consumers as a result of non-payment by consumers.

Service Charges

Decrease in cash receipts as a result of non-payment by consumers.

Other Revenue

Increase in discount received from Auditor General

Government - Operating

Larger portion of Government transfers received based on DoRA allocations

Government - Capital

Larger portion of Government transfers received based on DoRA allocations

Interest

Decrease in interest due to lower levels of cash in short term investments.

Suppliers and Employees

Increase in Payables due lower cash availablity.

Finance costs

Increase in interest paid to suppliers due to increased Payables balance.

43.2.9 Net Cash from Investing Activities

Capital projects not completed during the year.

43.2.10 Net Cash from Financing Activities

Increase in Borrowing repayments

General repayments of long-term leases.

43.2.11 Cash and Cash Equivalents

Decrease in call investments as a result of funds used for expenditure.

		2019 R	2018 R
44.	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
44.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	226,701,089	209,387,903
	Unauthorised expenditure current year - operational	20,172,838	17,313,186
	Unauthorised expenditure current year - capital	8,257,782	-
	Approved by Council or condoned	-	-
	Current	-	-
	Prior Period	-	-
	Transfer to receivables for recovery	-	-
	Current	-	-
	Prior Period	-	-
	Unauthorised expenditure awaiting authorisation	255,131,709	226,701,089

Unauthorised expenditure can be summarised as follow:

Incident		Disciplinary steps/criminal proceedings		
Over expenditure of approved budget - 2010		*To be condoned by Council*	29,684	29,684
Over expenditure of approved budget - 2011		*To be condoned by Council*	28,371,069	28,371,069
Over expenditure of approved budget - 2012		*To be condoned by Council*	16,738,583	16,738,583
Over expenditure of approved budget - 2013		*To be condoned by Council*	25,203,509	25,203,509
Over expenditure of approved budget - 2014		*To be condoned by Council*	18,978,632	18,978,632
Bank Shortages - 2011		*None*	28,274	28,274
Fraud Vehicle Registration - 2011		*None*	78,504	78,504
Withdrawal by former CFO, EB Toontjies - 2011		*None*	6,800	6,800
Over expenditure of approved budget - 2015		*None*	18,055,902	18,055,902
Over expenditure of approved budget - 2016		*None*	10,999,101	10,999,101
Over expenditure of approved budget - 2017		*None*	90,897,845	90,897,845
Over expenditure of approved budget - 2018		*None*	17,313,186	17,313,186
Over expenditure of approved budget - 2019		*None*	28,430,620	-
			255,131,709	226,701,089

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - operating				
Executive and Council	8,727,834	5,916,542	2,811,292	2,811,292
Finance and Administration	50,272,114	34,994,956	15,277,158	15,277,158
Community and Social Services	186,596	-	186,596	186,596
Sport and Recreation	-	-	-	-
Waste Management	6,975,307	5,657,430	1,317,876	1,317,876
Water	3,524,811	4,923,010	(1,398,199)	-
Electricity	12,219,167	13,879,106	(1,659,939)	-
Economic and Social Development	2,749,716	2,399,956	349,761	349,761
Technical and Roads	3,416,315	3,186,159	230,155	230,155
Waste Water Management	-	-	-	-
	88,071,860	70,957,160	17,114,700	20,172,838

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - capital				
Executive and Council	-	-	-	-
Finance and Administration	-	-	-	-
Community and Social Services	-	-	-	-
Sport and Recreation	2,502,069	4,370,000	(1,867,931)	-
Waste Management	-	-	-	-
Water	10,107,934	19,224,096	(9,116,162)	-
Electricity	1,929,770	700,000	1,229,770	1,229,770
Economic and Social Development	-	-	-	-
Technical and Roads	8,028,012	1,000,000	7,028,012	7,028,012
Waste Water Management	-	-	-	-
	22,567,785	25,294,096	(2,726,311)	8,257,782

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	9,307,262	6,597,399
Correction of prior period error	-	-
Restated opening balance	9,307,262	6,597,399
Fruitless and wasteful expenditure current year	2,131,824	2,709,863
Condoned or written off by Council	-	-
Current	-	-
Prior Period	-	-
Transfer to receivables for recovery - not condoned	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting condonement	**11,439,086**	**9,307,262**

Fruitless and wasteful expenditure can be summarised as follow:

Incident		Disciplinary steps/criminal proceedings		
Legal Cost (Hondeklipbaai Stands) - 2011		*None*	199,191	199,191
Interest on late Creditors payments - 2011		*None*	417,306	417,306
Interest on late Creditors payments - 2012		*None*	172,301	172,301
Interest on late Creditors payments - 2014		*None*	255,946	255,946
Interest on late Creditors payments - 2015		*None*	537,535	537,535
Salary payment to J Links after dismissal		*None*	8,417	8,417
Interest and penalties paid to SARS - 2014		*None*	204,546	204,546
Interest and penalties paid to SARS - 2015		*None*	353,136	353,136
Interest and penalties paid to SARS - 2017		*None*	286,069	286,069
Interest paid to various suppliers - 2016		*None*	2,444,160	2,444,160
Interest paid to various suppliers - 2017		*None*	1,718,792	1,718,792
Interest paid to various suppliers 2018		*None*	1,626,031	1,626,031
Legal Cost (LJ Swart case) - 2018		*None*	872,243	872,243
Interest and penalties paid to SARS - 2018		*None*	211,589	211,589
Interest paid to various suppliers 2019		*None*	2,131,824	-
			11,439,086	9,307,262

44.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	21,873,314	14,609,820
Irregular expenditure current year	5,357,599	7,263,494
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Irregular expenditure awaiting further action	**27,230,913**	**21,873,314**

		2019 R	2018 R

Irregular expenditure can be summarised as follow:

Incident		Disciplinary steps/criminal proceedings		
Expenditure contrary to SCM Processes 2010		*None*	3,715,210	3,715,210
Expenditure contrary to SCM Processes - 2012		*None*	2,661,945	2,661,945
Expenditure contrary to SCM Processes - 2017		*None*	1,118,745	1,118,745
Preference point system not used for bids between R30 000 and R200 000		*None*	1,935,162	1,935,162
Tax Reference numbers not obtained for transactions between R10 000 - R30 000		*None*	1,349,975	1,349,975
No declaration of interest forms (MBD4)		*None*	55,979	55,979
Expenditure contrary to SCM Processes - 2016		*None*	233,100	233,100
Grants used for operating purposes - 2016		*None*	3,539,704	3,539,704
Expenditure contrary to SCM Processes - 2018		*None*	7,171,777	7,171,777
Preference points incorrectly calculated		*None*	68,000	68,000
Acting longer than three months not approved by MEC		*None*	87,897	23,717
2019 Irregular Expenditure		*None*	5,293,419	-
			27,230,913	21,873,314

The full extent of irregular expenditure have not been disclosed in the annual financial statements and is currently under investigation to be determined.

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	2,882,470	2,561,559
Council subscriptions	507,205	505,857
Amount paid - current year	-	(184,946)
Amount paid - previous years	(200,000)	-
Balance unpaid (included in creditors)	**3,189,675**	**2,882,470**

45.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	2,589,421	6,301,691
Correction of prior period error	-	-
Restated opening balance	2,589,421	6,301,691
Current year audit fee	2,828,480	3,543,689
External Audit - Auditor-General	2,567,313	3,024,920
Internal Audit	-	-
Interest - Auditor-General	261,166	518,769
Amount paid - current year	-	(55,337)
Amount paid - previous year	-	-
Credit note	(3,854,114)	(7,200,622)
Balance unpaid (included in creditors)	**1,563,787**	**2,589,421**

45.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the payment basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 17.

45.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	2,304,077	428,705
Current year payroll deductions	3,356,620	3,053,630
Amount paid - current year	(2,264,245)	(1,178,258)
Amount paid - previous year	(2,304,077)	-
Balance unpaid (included in creditors)	**1,092,375**	**2,304,077**

		2019 R	2018 R
45.5	**Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**		
	Opening balance	2,459,405	1,533,255
	Correction of prior period error	-	-
	Restated opening balance	2,459,405	1,533,255
	Current year payroll deductions and Council Contributions	4,398,023	4,289,943
	Amount paid - current year	(2,049,623)	(2,134,448)
	Amount paid - previous year	(1,712,540)	(1,229,345)
	Balance unpaid (included in creditors)	**3,095,266**	**2,459,405**

45.6 **Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2019:

	Outstanding more than 90 days	Outstanding more than 90 days
Dawid & M Rooi	8,657	16,114
Mervin J Cloete	-	15,385
Hendrik Steenkamp	-	1,864

45.7 **Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

30 June 2019

		Type of Deviation			
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	334,576	78,273	256,303	-	-
August	262,955	18,409	244,546	-	-
September	175,342	8,418	166,924	-	-
October	238,173	-	238,173	-	-
November	285,906	-	285,906	-	-
December	109,186	-	109,186	-	-
January	336,361	-	336,361	-	-
February	131,909	23,211	108,698	-	-
March	142,150	13,083	129,067	-	-
April	405,401	-	405,401	-	-
May	362,038	18,186	343,852	-	-
June	2,509,422	-	2,509,422	-	-
	5,293,419	159,580	5,133,839	-	-

30 June 2018

		Type of Deviation			
	Amount	Single Supplier	Impossible	Impractical	Emergency
July	123,247	-	123,247	-	-
August	94,707	8,208	86,499	-	-
September	79,621	-	79,621	-	-
October	144,766	6,774	137,991	-	-
November	254,907	-	254,907	-	-
December	317,123	-	317,123	-	-
January	119,495	-	119,495	-	-
February	153,604	-	153,604	-	-
March	131,657	-	131,657	-	-
April	52,590	31,664	20,926	-	-
May	147,584	-	147,584	-	-
June	181,869	-	181,869	-	-
	1,801,171	46,647	1,754,524	-	-

45.8 **Broad-Based Black Economic Empowerment Act**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

		2019 R	2018 R
45.9	**Material losses**		
	Electricity distribution losses		
	Units purchased (Kwh)	9,530,540	4,479,527
	Units lost during distribution (Kwh)	2,091,088	1,061,837
	Percentage lost during distribution	21.94%	23.70%
	Distribution loss (Rand Value)	3,638,493	1,337,915
	The reason for the increase in electricity losses is due to electricity theft on pre-paid meters. Fines were issued for first time offenders.		
	Water distribution losses		
	Units purchased (ml)	224,783	216,901
	Units lost during distribution (ml)	27,288	34,958
	Percentage lost during distribution	12.14%	16.12%
	Distribution loss (Rand Value)	314,908	403,415
	Normal pipe bursts and field leakages are responsible for water losses.		
45.10	**Skills Development Levy - [MFMA 125 (1)(c)]**		
	Opening balance	181,757	59,711
	Current year payroll deductions	214,950	199,481
	Amount paid - current year	(125,178)	(77,435)
	Balance unpaid (included in creditors)	**271,529**	**181,757**

46. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2018: 1%) Increase in interest rates	14,321	47,428
1% (2018: 1%) Decrease in interest rates	(14,321)	(47,428)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 8 and 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2019 %	2019 R	2018 %	2018 R
Non-Current Receivables				
Repay Arrangements	100.00%	-	100.00%	-
Non-exchange Receivables				
Rates	100.00%	32,218,422	100.00%	25,000,571
	100.00%	32,218,422	100.00%	25,000,571
Exchange Receivables				
Electricity	11.54%	6,611,457	12.14%	6,002,513
Water	34.07%	19,525,003	37.60%	18,588,320
Property Rentals	0.00%	-	0.00%	-
Waste Management	14.58%	8,357,269	15.72%	7,771,073
Waste Water Management	7.97%	4,569,763	8.44%	4,171,774
Housing Selling Scheme	0.00%	-	0.00%	-
Water and Sanitation Service Authority	0.00%	-	0.00%	-
Abeyance	0.00%	-	0.00%	-
Other	31.84%	18,250,028	26.09%	12,898,160
	100.00%	57,313,520	100.00%	49,431,840

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2019 %	2019 R	2018 %	2018 R
Non-Current Receivables				
Repay Arrangements	0.00%	-	0.00%	-
Non-exchange Receivables				
Rates	35.99%	31,300,645	34.33%	24,628,041
Exchange Receivables				
Services	64.01%	55,680,883	65.67%	47,118,051
	100.00%	86,981,528	100.00%	71,746,092

The provision for bad debts could be allocated between the different categories of receivables as follow:

Ageing of amounts past due but not impaired are as follow:	Exchange Receivables	Non-exchange Receivables
2019		
1 month past due	1,084,469	506,147
2+ months past due	(490,632)	411,629
	593,836	917,776
2018		
1 month past due	932,858	53,795
2+ months past due	224,332	-
	1,157,191	53,795

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	-	-
Non-Current Receivables from Non-Exchange Transactions	-	-
Receivables from exchange transactions	57,313,520	49,431,840
Receivables from non-exchange transactions	32,383,008	25,301,301
Cash and Cash Equivalents	2,453,473	6,667,531
	92,150,001	81,400,671

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	912,415	207,090	-	-
Trade and Other Payables	30,817,547	-	-	-
	31,729,962	207,090	-	-

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	1,099,367	1,096,885	-	-
Trade and Other Payables	23,842,540	-	-	-
	24,941,907	1,096,885	-	-

		2019 R	2018 R
47.	FINANCIAL INSTRUMENTS		

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

47.1	Financial Assets	Classification		
	Investments			
	Listed Investments	Financial Instruments at fair value	-	-
	Investment in Municipal Entities	Financial Instruments at cost	-	-
	Investment in Joint Ventures	Financial Instruments at cost	-	-
	Investment in Associates	Financial Instruments at cost	-	-
	Investment in Municipal Stock	Financial Instruments at cost	-	-
	Fixed Deposits	Financial Instruments at amortised cost	-	-
	Non-Current Receivables			
	Receivables with repay arrangements	Financial Instruments at amortised cost	-	-
	Sport Club Loans	Financial Instruments at amortised cost	-	-
	Housing Loans	Financial Instruments at amortised cost	-	-
	Receivables from Exchange Transactions			
	Electricity	Financial Instruments at amortised cost	6,611,457	6,002,513
	Water	Financial Instruments at amortised cost	19,525,003	18,588,320
	Property Rentals	Financial Instruments at amortised cost	-	-
	Waste Management	Financial Instruments at amortised cost	8,357,269	7,771,073
	Waste Water Management	Financial Instruments at amortised cost	4,569,763	4,171,774
	Housing Selling Scheme	Financial Instruments at amortised cost	-	-
	Water and Sanitation Service Authority	Financial Instruments at amortised cost	-	-
	Abeyance	Financial Instruments at amortised cost	-	-
	Other Arrears	Financial Instruments at amortised cost	18,250,028	12,898,160
	Cash and Cash Equivalents			
	Bank Balances	Financial Instruments at amortised cost	345,169	420,502
	Call Deposits	Financial Instruments at amortised cost	2,108,303	6,247,029
	Total Financial Assets		**59,766,993**	**56,099,371**

			2019 R	2018 R
	SUMMARY OF FINANCIAL ASSETS			
	Financial Instruments at amortised cost:			
	Investments	Fixed Deposits	-	-
	Long-term Receivables	Receivables with repay arrangements	-	-
	Long-term Receivables	Sport Club Loans	-	-
	Long-term Receivables	Housing Loans	-	-
	Receivables from Exchange Transactions	Electricity	6,611,457	6,002,513
	Receivables from Exchange Transactions	Water	19,525,003	18,588,320
	Receivables from Exchange Transactions	Property Rentals	-	-
	Receivables from Exchange Transactions	Waste Management	8,357,269	7,771,073
	Receivables from Exchange Transactions	Waste Water Management	4,569,763	4,171,774
	Receivables from Exchange Transactions	Housing Selling Scheme	-	-
	Receivables from Exchange Transactions	Water and Sanitation Service Authority	-	-
	Receivables from Exchange Transactions	Abeyance	-	-
	Receivables from Exchange Transactions	Other Arrears	18,250,028	12,898,160
	Cash and Cash Equivalents	Bank Balances	345,169	420,502
	Cash and Cash Equivalents	Call Deposits	2,108,303	6,247,029
			59,766,993	56,099,371
	Financial Instruments at fair value:			
	Investments	Listed Investments	-	-
			-	-
	Total Financial Assets		**59,766,993**	**56,099,371**
47.2	**Financial Liabilities**	**Classification**		
	Long-term Liabilities			
	Annuity Loans	Financial Instruments at amortised cost	-	-
	Local Registered Stock	Financial Instruments at amortised cost	-	-
	Government Loans	Financial Instruments at amortised cost	-	-
	Capitalised Lease Liability	Financial Instruments at amortised cost	1,021,338	1,924,743
	Trade and Other Payables			
	Trade Payables	Financial Instruments at amortised cost	24,673,139	16,158,282
	Accrued Interest	Financial Instruments at amortised cost	-	-
	Advance Payments	Financial Instruments at amortised cost	1,113,760	1,006,074
	Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	3,837,067	6,248,419
	Other Payables	Financial Instruments at amortised cost	-	-
	Retentions	Financial Instruments at amortised cost	1,193,581	497,615
	Cash and Cash Equivalents			
	Bank Overdraft	Financial Instruments at amortised cost	-	-
			31,838,885	**25,835,132**

		2019 R	2018 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	-	-
Long-term Liabilities	Local Registered Stock	-	-
Long-term Liabilities	Government Loans	-	-
Long-term Liabilities	Capitalised Lease Liability	1,021,338	1,924,743
Trade and Other Payables	Trade Payables	24,673,139	16,158,282
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Advance Payments	1,113,760	1,006,074
Trade and Other Payables	Control, Clearing and Interface Accounts	3,837,067	6,248,419
Trade and Other Payables	Other Payables	-	-
Trade and Other Payables	Retentions	1,193,581	497,615
Cash and Cash Equivalents	Bank Overdraft	-	-
		31,838,885	**25,835,132**

48. STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes		
VAT Receivable	-	1,350,498
Receivables from Non-Exchange Transactions	32,218,422	25,000,571
Rates	32,218,422	25,000,571
Fines	-	-
Total Statutory Receivables (before provision)	**32,218,422**	**26,351,069**
Less: Provision for Debt Impairment	(31,300,645)	(24,628,041)
Total Statutory Receivables (after provision)	**917,776**	**1,723,028**

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)
Fines	- Criminal Procedurs Act

(Rates): Ageing

Current (0 - 30 days)	522,686	318,736
31 - 60 Days	506,147	291,894
61 - 90 Days	503,714	276,902
+ 90 Days	30,685,874	24,113,039
Total	**32,218,422**	**25,000,571**

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	24,628,041	17,074,946
Contribution to provision	6,672,604	7,553,095
Reversal of provision	-	-
Balance at end of year	**31,300,645**	**24,628,041**

Ageing of amounts past due and impaired:

1 month past due	-	238,099
2+ months past due	30,777,959	24,389,941
Total	**30,777,959**	**24,628,041**

Ageing of amounts past due but not impaired:

1 month past due	506,147	53,795
2+ months past due	411,629	-
	917,776	**53,795**

	2019 R	2018 R
Interest Received from Statutory Receivables		
Rates	2,752,531	2,250,070
Receivables from Non-Exchange Transactions	-	-
Total	2,752,531	2,250,070

49. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50. CONTINGENT LIABILITY

There were no Contingent Liabilities identified by the municipality, thus there were no Contingent Liabilities to disclose.

51. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

51.1 Related Party Transactions

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2019						
Councillors						
Mervin J Cloete	8,307	11,586	-	-	2,439	152
Susarah Nero	-	6,034	-	-	499	38
Charlton C Kordom	2	2,084	-	-	180	57
Leonard E Petersen	1,427	2,168	-	4	181	9
Dawid & M Rooi	5,417	7,209	-	1,508	9,897	5,434
Hendrik Steenkamp	-	-	-	-	(536)	-
	15,152	**29,080**	**-**	**1,512**	**12,660**	**5,690**
Municipal Manager and Section 57 Employees						
Rufus C Beukes	5,195	4,463	-	-	32	0
Frederick Links	1,280	4,210	-	-	337	21
Rose Cloete	-	2,981	-	-	345	218
	6,475	**11,654**	**-**	**-**	**714**	**239**

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2018						
Councillors						
Mervin J Cloete	-	-	-	-	1,256	-
Susarah Nero	-	1,862	-	-	147	10
Charlton C Kordom	1	2,678	-	-	42	0
Leonard E Petersen	1,346	1,996	-	-	171	8
Dawid & M Rooi	5,110	8,340	-	3,942	13,663	13,290
Hendrik Steenkamp	-	1,313	(9,347)	263	1,864	-
	6,458	**16,189**	**(9,347)**	**4,205**	**17,143**	**13,309**
Municipal Manager and Section 57 Employees						
Rufus C Beukes	-	7,388	-	-	361	18
Joseph G Cloete	-	4,236	-	-	325	20
Frederick Links	1,207	-	-	-	427	8
Rose Cloete	-	1,453	-	-	419	40
	1,207	**13,077**	**-**	**-**	**1,532**	**86**

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related party relationship

Councilors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

51.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

51.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

51.4 Current Employee benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
Rufus C Beukes	Municipal Manager	48,944	-	136,040
Joseph G Cloete	Previous Municipal Manager	-	-	-
Rose Cloete	Acting CFO (from 26/03/2018)	-	-	-
Frederick Links	Head: Technical Services	39,190	14,998	18,466
Daphne C Cloete (previously Beukes)	Head: Corporate Services	-	-	-
Tumelo E Diphokoje	Chief Financial Officer	16,659	-	35,449
		104,792	**14,998**	**189,956**

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2018:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
Rufus C Beukes	Municipal Manager	91,670	-	137,601
Joseph G Cloete	Previous Municipal Manager	-	-	126,407
Rose Cloete	Acting CFO (from 26/03/2018)	13,020	-	-
Frederick Links	Head: Technical Services	63,826	14,017	12,424
Daphne C Cloete (previously Beukes)	Head: Corporate Services	35,440	26,343	14,052
		203,956	**40,360**	**290,485**

52. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Kamiesberg Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The average creditors payment period is 319 days (2018: 254 days).

The municipality is experiencing difficultly to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R29 581 670 (2018: R20 096 019).

The municipality have budgeted for a deficit of R 10 282 588 for the 2019/2020 financial year, R 8 243 194 for 2020/2021 and a deficit of R 8 161 644 for the 2021/2022 financial year. The municipality has also budgeted for negative cash flows of R 1 300 182 for 2019/2020, R 780 238 for 2020/2021 and R 1 029 410 for the 2021/2022 financial year.

NCPT has assisted the municipality to prepare a financial recovery plan. The plan will be implemented, once approved by council.

The average debtor-collection period after impairment is 123 days (2018: 49 days), while debtors impairment provision as a percentage of accounts receivable is 97% (2018: 96,2%).

COGTA is currently assisting the municipality with revenue enhanchment strategies and verification of consumer data.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

Financial Indicators

The current ratio increased to 0.53:1 from 0.49:1 in the prior year.

The municipality have budgeted for a deficit of R7 180 000 for the 2018/2019 financial year. The municipality is also budgeting for negative cash flows during 2018/2019 and 2019/2020 amounting to R3 068 000 and R22 056 000 respectively.

The average debtors' payment days increased to 478 days from 460 days. The debtors impairment

A bank overdraft facility is utilised amounting to R 1 400 000.

53. EVENTS AFTER REPORTING PERIOD

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

APPENDIX A
KAMIESBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
LEASE LIABILITY								
Nashua	14.00%	Various		562,485	-	-	(205,076)	357,409
Nashua Mobile	10.00%	Various		5,931	-	19,304	(8,609)	16,626
Bidvest	10.00%	Various		1,356,327	-	-	(709,024)	647,303
Total Lease Liabilities				1,924,743	-	19,304	(922,709)	1,021,339
						108		
TOTAL EXTERNAL LOANS				1,924,743	-	19,304	(922,709)	1,021,339

APPENDIX B
KAMIESBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Governance and Administration			
14,445	(5,374,101)	(5,359,656)	Executive and council	43,940	(8,727,834)	(8,683,893)
57,784,447	(34,087,982)	23,696,466	Finance and administration	54,273,703	(50,272,114)	4,001,589
-	-	-	Internal audit	-	-	-
			Community and Public Safety			
2,183	(1,000,253)	(998,070)	Community & Social Services	1,294,726	(186,596)	1,108,130
5,078	(275,730)	(270,653)	Sport and recreation	5,422	-	5,422
-	-	-	Public safety	-	-	-
-	-	-	Housing	-	-	-
-	-	-	Health	-	-	-
			Economic and Environmental Services			
1,150,061	(3,395,453)	(2,245,391)	Planning and development	1,127,505	(2,749,716)	(1,622,212)
384,593	(15,237,707)	(14,853,114)	Road transport	233,305	(3,416,315)	(3,183,010)
-	-	-	Environmental protection	-	-	-
			Trading Services			
8,923,763	(10,667,348)	(1,743,586)	Energy sources	9,021,987	(12,219,167)	(3,197,181)
11,026,905	(1,618,692)	9,408,213	Water management	11,810,948	(3,524,811)	8,286,137
1,569,847	(115,052)	1,454,794	Waste water management	1,768,385	(772,122)	996,264
1,638,375	(5,200,061)	(3,561,686)	Waste management	1,855,732	(6,203,185)	(4,347,453)
-	-	-	**Other**	-	-	-
82,499,698	(76,972,380)	5,527,318	Sub Total	81,435,653	(88,071,860)	(6,636,207)
-	-	-	Less Inter-Departmental Charges	-	-	-
82,499,698	(76,972,380)	5,527,318	**Total**	81,435,653	(88,071,860)	(6,636,207)

APPENDIX C
KAMIESBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			EXECUTIVE COUNCIL			
(3,271,881)	(1,615,801)	(4,887,682)	Municipal Manager	-	(3,267,663)	(3,267,663)
14,445	(3,758,300)	(3,743,855)	Councillors	43,940	(5,460,171)	(5,416,231)
			FINANCE AND ADMINISTRATION			
49,398,591	(14,016,576)	35,382,015	Finance	49,950,770	(42,658,521)	7,292,249
8,473,221	(19,630,262)	(11,157,040)	Administration	4,322,933	(7,613,592)	(3,290,659)
-	-	-	Commonage	-	-	-
			COMMUNITY AND SOCIAL SERVICES			
-	(61,472)	(61,472)	Cemeteries	5,543	-	5,543
2,183	(646,588)	(644,405)	Libraries	1,289,183	(186,596)	1,102,587
			SPORT AND RECREATION			
-	(275,730)	(275,730)	Sportgrounds and Community Facili	5,422	-	5,422
5,078	-	5,078	Caravan Park	-	-	-
			WASTE MANAGEMENT			
2,526,807	(3,865,414)	(1,338,607)	Refuse and Sanitation	3,624,117	(6,975,307)	(3,351,190)
			WATER			
12,009,311	(3,068,400)	8,940,911	Water	11,810,948	(3,524,811)	8,286,137
			ELECTRICITY			
10,034,700	(10,667,348)	(632,649)	Electricity	9,021,987	(12,219,167)	(3,197,181)
			ECONOMIC AND SOCIAL DEVELOPMENT			
1,062,697	(3,395,453)	(2,332,756)	Local Economic Development	1,127,505	(2,749,716)	(1,622,212)
			TECHNICAL AND ROADS			
384,593	(15,971,045)	(15,586,451)	Streets	233,305	(3,416,315)	(3,183,010)
			WASTE WATER MANAGEMENT			
1,859,961	-	1,859,961	Sewerage	-	-	-
82,499,706	(76,972,388)	5,527,318	Sub Total	81,435,653	(88,071,860)	(6,636,207)
-	-	-	Less Inter-Departmental Charges	-	-	-
82,499,706	(76,972,388)	5,527,318	Total	81,435,653	(88,071,860)	(6,636,207)

APPENDIX D
KAMIESBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2018	Correction of Error	Restated Balance 30 June 2018	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
National Government Grants										
Equitable Share	-	-	-	20,768,000	-	(20,768,000)	-	-	-	-
Finance Management Grant	-	-	-	2,415,000	-	(2,415,000)	-	-	-	-
Integrated National Electrification Programme	-	-	-	700,000	-	-	(665,086)	34,914	34,914	-
Municipal Infrastructure Grant	-	-	-	11,867,000	-	-	(11,867,000)	-	-	-
Total National Government Grants	**-**	**-**	**-**	**35,750,000**	**-**	**(23,183,000)**	**(12,532,086)**	**34,914**	**34,914**	**-**
Provincial Government Grants										
Expanded Public Works Programme	-	-	-	1,000,000	-	(1,000,000)	-	-	-	-
Department Water Affairs and Environment	146,837	-	146,837	9,821,000	-	-	(6,970,309)	2,997,528	2,997,528	-
Library	2,132,607	-	2,132,607	613,000	-	(1,287,380)	-	1,458,227	1,458,227	-
Project Nala	620,180	-	620,180	-	-	-	-	620,180	620,180	-
Department Finance, Economic Development & Tourism	100,000	-	100,000	-	-	-	-	100,000	100,000	-
Tourism	-	-	-	150,000	-	(95,005)	-	54,995	54,995	-
Department Social Services	482	-	482	-	-	-	-	482	482	-
Department Sport, Arts and Culture	6,262	-	6,262	-	-	-	-	6,262	6,262	-
Drought Relief	1,466,220	-	1,466,220	-	-	-	(1,466,220)	-	-	-
Total Provincial Government Grants	**4,472,588**	**-**	**4,472,588**	**11,584,000**	**-**	**(2,382,385)**	**(8,436,529)**	**5,237,674**	**5,237,674**	**-**
District Municipality										
Namakwa DM	285,277	-	285,277	1,271,383	-	(1,239,039)	-	317,622	317,622	-
Total District Municipality Grants	**285,277**	**-**	**285,277**	**1,271,383**	**-**	**(1,239,039)**	**-**	**317,622**	**317,622**	**-**
Total Grants	**4,757,865**	**-**	**4,757,865**	**48,605,383**	**-**	**(26,804,424)**	**(20,968,615)**	**5,590,210**	**5,590,210**	**-**

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.